The University of Texas
Institute of Latin-American Studies

Latin-American Studies, VI

Political, Economic, and Social Problems of the Latin-American Nations of Southern South America

Papers Read in a Lecture Series Dealing with Political, Economic, and Social Problems of the Latin-American Nations of Southern South America

Austin, Texas, Spring Semester, 1948

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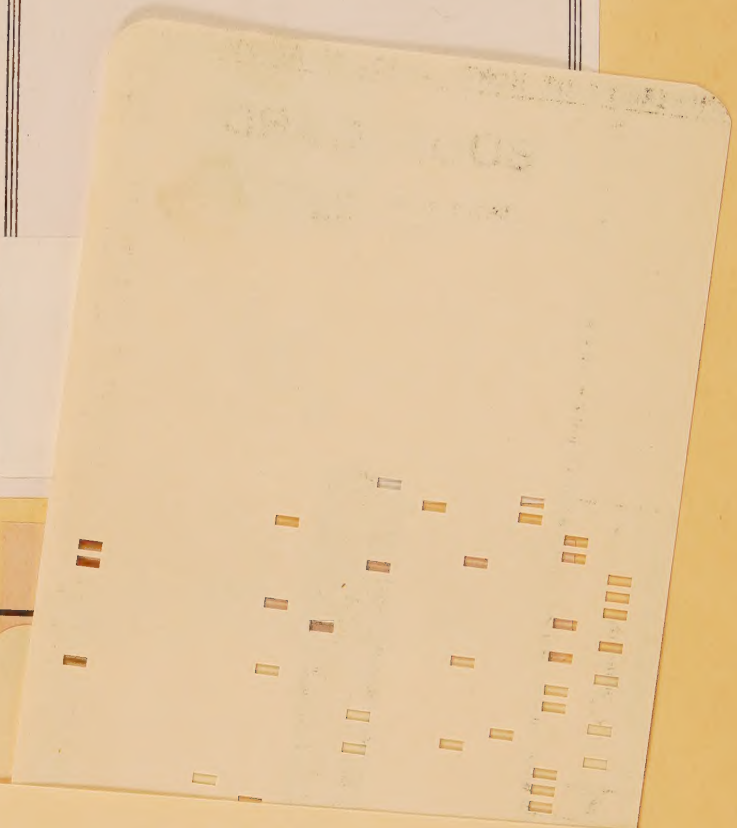

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FOREWORD

The Institute of Latin-American Studies of The University of Texas continues with this publication, under the general title of *Latin-American Studies,* a series of monographs and volumes in the Latin-American field, including proceedings of conferences sponsored by the Institute of Latin-American Studies.

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THE IMPACT OF EUROPEAN RECOVERY ON INTER-AMERICAN TRADE

AMOS E. TAYLOR

Chief, Department of Economic and Social Affairs, Pan American Union

One of the significant economic effects of the recent war is reflected in the present lack of balance in the flow of goods and services in the traditional triangular pattern based on the United States, Latin America, and Western Europe. In 1938, nearly 55 per cent of Latin-American exports went to Europe, while slightly less than 44 per cent of Latin-American imports came from Europe, in each case chiefly Western Europe. By 1944, Latin-American shipments to the United Kingdom and Continental Europe had been reduced to approximately 20 per cent of the total exports. At the same time these same areas had become virtually negligible as sources of Latin-American imports with only about 7 per cent originating in British and continental markets.

Obviously this does not mean that the trade with the outside world of the countries to the south of us became seriously contracted because of the war. It merely shifted its direction. The principal change soon became apparent in the trade between the United States and the Latin-American countries. Whereas in 1938, the United States received approximately 30 per cent of the exports of Central and South America, this percentage rose to 57 by 1941, and remained above 50 until the end of the war. In the case of imports the rise was even more marked. In 1938, approximately 34 per cent of Latin-American imports came from the United States and then rose steadily until 1941, when the latter supplied the other Americas with 62 per cent of their total imports. From 1942 to the end of the war, the ratio was somewhat less but in no year did it fall below 54 per cent of total imports.[1]

Thus, as Latin-American trade with Western Europe declined, there developed a sharp expansion in the flow of goods between the United States and the other Americas. A further shift was reflected in the growing importance of the commerce carried on among the Latin-American countries themselves. In relation to the total shifts produced by the war, this increase had only minor significance even though it undoubtedly represented a desirable wartime development.

The disequilibrium in the triangular trading mechanism centering on the three pegs of Latin America, the United States, and Western Europe was not entirely without precedent. A similar development occurred during World War I, but the sharp impact on the respective national economies was dependent for its force upon the world depression of 1920–21.

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[1]The general structure of Latin America's foreign trade is discussed in detail in a recent brochure *Inter-American Economic Relations* by Richard F. Behrendt, published by the Committee on International Economic Policy.

Prior to World War I the United States took a smaller percentage of Latin-American exports than did the United Kingdom. The growth of industrial output in the United States sharpened the demand for various raw materials produced in Central and South America, and it was clear that in time the relative position of this country in the Latin-American export trade would gain. With the outbreak of the war, however, the change became rapid. Shipping in European waters became fraught with risk as blockades and retaliatory contraband orders left few traders immune. After the end of the conflict, the United States' share of Latin-American trade fell back somewhat, but the drop was not sufficient to bring the relative positions of Britain and the continental markets back to the pre-1914 level. Only during 1933 did the British share come within striking distance of the 1913 percentage, while the German portion rose to the relative 1913 position only in 1938.

The real significance of the present postwar disequilibrium becomes apparent when we divide the Latin-American peg of the triangle into three broad segments based on the character of output. The countries producing such food products as sugar, coffee, bananas, cacao, and tobacco look to the United States as their major market. The mineral-producing countries, from Mexico to Chile, depend on the world's highly industrialized areas of both Western Europe and the United States as their real markets. The countries of the temperate zone, especially Argentina, Uruguay, Paraguay, and southern Brazil, are principally producers of agricultural products similar to those of the United States and do not, therefore, find any important markets in the Western Hemisphere. Traditionally, the output of this agricultural belt flows in large part to the United Kingdom and the continental markets of Western Europe. The normal role in world trade of the La Plata area places into bold relief its relationship to the European Recovery Plan.

Argentina is one of the world's principal exporters of wheat and meat products. Ever since the last decade of the nineteenth century, when Argentina began to undergo rapid economic growth and expansion, her rapidly rising grain output has found its key markets in Europe. With the development of refrigeration, her frozen beef assumed a sharply-growing importance in British markets. Argentina and the surrounding countries eventually accounted for approximately one-half of the world's trade in beef, lamb, mutton, and related products.

Among the world's suppliers of wool, Argentina and Uruguay have long ranked high. The production of corn in Argentina and southern Brazil greatly adds to the stature of the temperate zone of South America in world agriculture. Moreover, most of the international trade in linseed originates in Argentina and the surrounding countries.

In referring to the triangular mechanism of trade, I have consciously oversimplified the real nature of the problem. For purpose of illustration, I have drawn some lines rather sharply. The important point is that the economies of many of the Latin-American countries are closely linked by ties of trade and finance with Western Europe. Although the tropical

agricultural areas are more directly dependent on United States than on European markets, there are others—notably the mineral producing countries—to which both Western Hemisphere and European markets are essential. Finally, as already indicated, the agricultural countries of the La Plata basin are on a competitive level with United States agriculture and are greatly dependent on British and continental markets.

Since the end of the war, the European peg of the triangle has been unable to function. It can not function effectively until production is restored to levels that make possible the restoration of markets abroad and the return to a normal economic life at home. The present world economic crisis affects the Latin-American countries because of their commercial and financial ties with Europe, and they, therefore, have a vital interest in any steps designed to ameliorate the present unbalanced trade situation.

The disequilibrium to which I have referred became dramatically apparent by the early part of 1947, when the surplus in the United States balance of international payments rose to an annual rate of more than $10,000,000,000. Not only were the world's needs for food, capital equipment, and consumer goods unprecedented, but many important industrial areas were totally unable to resume normal economic activity because of a virtually unbreakable and vicious cycle induced by lack of food, poor housing, absence of consumer goods, inflation, black markets, and lack of incentive.

This situation introduced three distinct sets of abnormalities into the balance of payments of the United States. In the first place, the composition of our exports became heavily weighted on the side of food and agricultural products as well as such industrial products as trucks, agricultural machinery, and similar manufactures. The pressure of both domestic and foreign needs on certain segments of our industrial output soon gave rise to some of the problems which now characterize the relationship of Latin America to the European Recovery Program. With the need for maximum agricultural output present everywhere, we find that one of the first questions posed relates directly to claims for agricultural machinery and railroad equipment made by the grain and beef producing countries of Latin America. These claims must be met if these countries are to meet their share of the Marshall Plan requirements.

Secondly, the excess of exports over imports became abnormally high after the war. The peak level of our exports was reached during the first half of 1947. The decline during the second half of the year did not result from a drop in the needs of a hungry and shattered world but rather from a drying up of the available means of payments. The wide export margin resulted in part from the inability of certain European and other markets to restore their productive facilities, thus being unable to assume their normal position as suppliers.

The third abnormal element in our international balance sheet resulted in part from the two already mentioned and relates to the method of financing the export balance. The large export margin meant that imports

into the United States fell correspondingly short of supplying an adequate volume of dollars to finance our shipments abroad. This situation was in no way ameliorated when service transactions were taken into account. The expenditure of dollars by our people for travel abroad was of little significance when considered in relation to total dollar requirements by the outside world. The postwar shipping situation was such that our traditional net payments to foreigners gave way to a net receipt position.

The means whereby this balance was financed fell into three general categories: (1) grants and gifts; (2) loans and credits; and (3) utilization of gold and foreign exchange reserves. The relative importance of each of these might well be made the subject of a separate paper, but it is important in our present analysis to note merely that as available dollar credits approached exhaustion by the middle of 1947, foreign exchange reserves were drawn upon more and more as a last resort. Since credits and exchange reserves can not be considered as though they were distinct and unrelated, it is not difficult to understand why many of the Latin-American countries were tightening restrictions on imports by the early part of 1947.

As a next step in our analysis, let us turn to the European Recovery Plan and to the part which the Latin-American countries are scheduled to play in the program. In its report of September, 1947, the Committee of European Economic Co-operation estimated the import requirements of the sixteen participating countries and western Germany, during the four year period 1948–51, at $57,300,000,000. Of this sum the amount assigned to the United States was $20,400,000,000, while the rest of the Western Hemisphere (chiefly Canada and Latin America) was listed for $14,800,000,000. Special emphasis was placed by the Committee on the urgency of securing supplies from the Western Hemisphere because of the lack of goods, during the immediate future, in Eastern Europe and Southeast Asia. It was estimated that because of the serious loss of supplies from non-American sources, the participating countries would have to depend on the Western Hemisphere for two-thirds of their needs, whereas before the war they received about 45 per cent of their requirements from the same area. At the same time it was stated that even though the prewar flow of cereals from Eastern Europe be restored by 1951, the proportion of food and feeding stuffs imports from across the Atlantic would still be 55 per cent compared with 42 per cent in 1938.

In his message to Congress on December 19, 1947, President Truman requested authority to use the sum of $17,800,000,000 in carrying through the program of European economic rehabilitation. The agency which it was proposed be set up to administer the plan would have authority to spend between $6,788,000,000 and $8,100,000,000 in an off-shore buying program in Canada and Latin America. For this purpose it was proposed that $2,615,000,000 be appropriated for the fifteen-month period beginning April 1, 1948.

The details of the proposal are set forth in a State Department document, "Outline of European Recovery Program," submitted at the same time for the use of the Senate Foreign Relations Committee. In this report

the basic figures submitted by the Committee on European Economic Co-operation are somewhat modified, but the share of the requirements to be met by Canada and Latin America during the four-year period remains at approximately $15,000,000,000.

The anticipated balance-of-payments deficit at current prices of the participating countries with respect to Latin America and Canada (including a few minor areas) was placed in the State Department's report at roughly $3,400,000,000 for the fifteen-month period beginning April 1, 1948. It was pointed out that Canada's ability to continue selling to the participating countries and the amount of such sales on a credit or grant rather than cash basis depends on numerous factors including: (1) the degree to which Canada restricts imports from the dollar area; (2) the effect of reduced imports on production; (3) Canada's ability to export; and (4) the extent to which her exports are diverted to dollar markets. Then, turning to Latin America, the report presented the following appraisal of that area's ability to finance its share of the deficit:

> In the case of the Latin-American countries many of the same considerations are pertinent. Both Argentina and Brazil have provided credit or overdraft facilities to certain of the participating countries since the war. Both have accumulated certain amounts of blocked sterling at various times during the period. This is true of some of the other Latin-American countries as well. Argentina and the United Kingdom have for some time been negotiating a sale of British railway interests against blocked sterling balances. If arrangements of this type are extended so as to apply against currently earned sterling of Argentina or other Latin-American countries, they will assist in meeting the participating countries' deficit with the Western Hemisphere.
>
> The gold and dollar balances of a number of the Latin-American countries have declined substantially since the middle of 1946. Large additional declines will be strenuously resisted, at least in most cases. If their dollar balance-of-payments problem can be solved in a reasonably satisfactory manner, the ability and willingness of Latin-American countries to contribute to the financing of the participating countries' deficit would be enhanced. Otherwise they would be under pressure to divert exports from the participating countries to dollar markets. On balance, however, it appears that Latin-American countries as a group might be able to continue making contributions although the situation may vary widely from country to country.
>
> In view of the complexities involved in the matter, it is extremely difficult to estimate the contribution which the Western Hemisphere countries other than the United States can reasonably be expected to make to the financing of the dollar deficit of the participating countries during the first 15 months of the program. Having regard to all the circumstances it does not seem inappropriate to expect that these countries will be able to finance at least $700,000,000 of the participating countries' deficit with them.[2]

The impact of the European Recovery Program on inter-American trade can not be appraised in a vacuum. The results depend on developments in distant parts of the world, many of which are not necessarily of an

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[2]"The Administration estimate that the Western Hemisphere countries, outside of the United States, should be expected to finance $700 million of aid to Europe in the period April 1, 1948, to June 30, 1949, seems unduly conservative, particularly in view of the fact that it is also contemplated that of the offshore procurement program of $2.6 billion, more than $1.7 billion is to be expended in Latin American countries."—*Latin America and the European Recovery Program*, Preliminary Report 23 of the House Select Committee on Foreign Aid pursuant to H. Resolution 296, p. 4.

economic character. The Marshall Plan aims at mobilizing the human and material instruments of production into a working force which will again place Western Europe on a self-sustaining basis. This should contribute towards bringing about equilibrium in the triangular trading mechanism which I have mentioned. It should mean a real advance towards placing the world's trade on a multilateral basis.

We have noted that during the war the diversion of a large proportion of Latin-American exports to the United States resulted in a substantial accumulation of dollar balances by the countries to the south of us. These balances were not evenly distributed. Moreover, they had to be measured against the accumulation of deferred demands which could not be met by the United States during the period of all-out war effort. Due to the speeding up of production and transport in the Latin-American economy, there resulted various degrees of deterioration of plant and equipment as well as of transportation facilities. Although it has been possible during the past two years to replenish some of these gaps in the economic potential, a number of problems have recently been brought to the fore by Latin-American authorities which bear on the future position of the Americas in the world economy.

An *ad hoc* Committee of the United Nations Economic and Social Council, established on August 11, 1947, rendered a report recently in which attention was called to the various economic maladjustments in the Latin-American economy. The analysis of existing economic conditions was presented in support of a proposal to establish an Economic Commission for Latin America, a Commission to be similar in organization and purpose to the previously established Economic Commissions for Europe and for Asia and the Far East.

In justifying a study of the urgent economic problems of Latin America the Committee viewed the need for special action as resting on three factors: (a) the Latin-American republics used their capital equipment at an abnormal rate during the war years; (b) the general lack of development in these countries is such that they will require many kinds of external assistance if their own efforts at development are to be accelerated; and (c) in the postwar world the Latin-American countries find that the realization of their plans for development, the repair of their wartime economic losses, and the replacement of deteriorated capital equipment are far more costly than had been expected.

Because of their lack of diversification, the economies of the Latin-American countries have always been particularly vulnerable to the vicissitudes of economic activity in the more highly developed areas of the world. The Committee, in taking note of these characteristics, emphasized the serious deterioration and shortages of equipment. This situation, together with such ailments as crippling inflation and shortages of foreign exchange and of both capital and consumer goods, has greatly handicapped efforts to achieve a smooth transition from a wartime to a peacetime economy.

Except for the large volume of trade between the United States and most of the Latin-American countries, the volume of strictly inter-American

trade is relatively small. The Committee took cognizance of the fact that this is due in great measure to the relative isolation of these countries from one another as well as the general raw-material character of their economies.

The Committee, in turning to the foreign trade position of the Latin-American countries, took note of the wartime absence of balance between exports and imports. The absence of normal markets abroad prompted the statement that "the Latin-American countries are already facing the consequences of a serious contraction in the overseas demand for products urgently needed during the war years in the largest quantities possible, such as certain minerals and specific agricultural and industrial products." At the same time, as has been indicated, the wartime accumulation of foreign exchange dwindled more rapidly than had been expected. Also, with the demand abroad for such commodities as coffee, sugar, and tobacco far below normal and the financing of cereal shipments dependent upon foreign credits, the immediate future was viewed by the Committee as exceedingly uncertain. The report reflects a definite fear that European markets may not be regained and that critical problems of adjustment will confront the Latin-American countries.

The State Department's "Outline of the European Recovery Program" predicates its proposed implementation of the Marshall Plan on the existence of these difficulties, but at the same time it reflects real hope that the benefits to be gained by the Latin-American countries will be substantial. It is admitted that these countries can continue to export more to the patricipating countries than they import from them only if payment in dollars can be made for a part of their export surplus. Only by securing dollars for such excess of exports can they purchase badly-needed goods in the United States. The drains which have already occurred in their previously accumulated dollar reserves places this observation in bold relief. It should be noted, therefore, that the Recovery Program provides for substantial off-shore purchases by the United States in the Latin-American countries. The question, which will remain unanswered until the passage of European-aid legislation by Congress, relates to that portion of Western Europe's deficit with Latin America which is to be financed by the exporting countries themselves and that part by off-shore purchases.

Both Argentina and Brazil have provided credit or overdraft facilities to certain countries now participating in the Committee on European Economic Co-operation. The accumulation of blocked currencies applies to several other Latin-American countries as well. For some time Argentina and the United Kingdom have been in process of negotiating a sale of British railway assets in Argentina against blocked sterling balances. To the extent that this type of arrangement can be made in other cases by Latin-American countries to be applied against currently earned sterling, it will assist in meeting the trade deficit of the participating countries with the Western Hemisphere.

It is apparent that the principal doubts in Latin America relative to the advantages supposed to spring from the Marshall Plan can be expressed

in the basic fear that in the process of carrying out the recovery program, many of the Latin-American countries will be unable to meet the target. This fear stems from the high production goals set for Western Europe and a possibly long period during which the demands for machinery and other forms of capital equipment will be high. It has found definite expression in a formal proposal made on December 29, 1947, by García Sayán, Foreign Minister of Peru. After calling attention to the high degree dependence of the American nations on European commerce under normal conditions, the proposal advocates definite steps for the rehabilitation and development of the Latin-American countries. The availability of dollars may be of little immediate benefit if "the extension of export controls and the re-introduction of priorities of allocations by the United States for the export of essential foods, raw materials, and manufactured articles" might affect the possibilities of industrial development in these countries. In reviewing the report of the Committee of European Economic Co-operation, the Peruvian Foreign Minister expressed the view that the participating countries at no time took "into consideration the need to include in the proposed assistance or development plan other productive regions of the world and especially those of Latin America."

The statement held that any plan for attaining the anticipated level of industrial output in Western Europe within four years in likely to fall short of the declared objective. Many countries of the world, especially those of Latin America, have considerably increased their industrial production since 1938, and it cannot be expected that these will stop or reduce their operations to make room for a level of European output which was established at a time when Latin-American capacity was much smaller. It is thus doubtful whether the schedule of raw-material needs can be met to assure success of the program. According to the proposal, a formula must be found for European recovery "without destroying the expectations of industrial development in the Latin-American nations or impairing the welfare of their populations." Recognition should be given to the part that the Latin-American nations must play in the success of that program "within the concept of necessary and inescapable economic interference." Such a formula would be found, in the opinion of the Peruvian government, if the Marshall Plan included a program of large-scale European emigration to Latin America. The program would necessarily have to provide for the promotion in Latin America of conditions requisite to the fruitful absorption of people from abroad. With an historic gesture to the progress made in the last century or more, during which immigrants from Europe and their descendants played such a constructive role, the statement sums up the Peruvian government's hope as follows: "The relief of the population pressure which would be experienced by the overpopulated European nations would thereafter reduce, on the one hand, the amount of assistance and the quantity of resources they would need, thus

facilitating the recovery program; while on the other hand, Latin-American nations would be able to go forward with the production of raw materials required by the European program." In conclusion, it is pointed out that the absorption of foreign workers would further economic development and increase purchasing power for the products of European and United States industry from which would result a greater expansion and a better use of the world's manpower.

The history of United States economic development and expansion was closely associated with the inward movement of European immigrants and European capital. Foreign capital has also played a basic part in the past development of the Latin-American countries. The virtual cessation of the inflow of European capital has been only partly offset by expansion of United States lending, primarily through the Export-Import Bank and through private channels. The International Bank for Reconstruction and Development, whose direct lending facilities are considerably more limited than generally believed, has under consideration at the present time loan applications from Mexico and Chile. That the Bank is giving careful thought to the problems of the countries in Latin America is reflected in its Second Annual Report dated September 11, 1947. "The urgency of the recovery of Europe," the Bank states, "does not detract from the importance of the prompt reconstruction and development of the other areas of the world needing assistance—Latin America, Asia, Africa and the Middle East. Indeed, it should not be very long before the financing of the development projects in those areas will tend to become the primary concern of the Bank."

On November 8, 1947, announcement was made of a Colombian proposal whereunder consideration would be given at the forthcoming Conference at Bogotá to the establishment of an Inter-American Finance Corporation which, backed by a $5,000,000,000 loan from the United States and payable in thirty years, would stabilize the currencies of the participating nations and make loans to increase production and aid in the development of unrestricted international trade. In view of the comprehensive program envisaged under the Marshall Plan, it is certain that considerable attention will be given at Bogotá to both the financial and commercial aspects of Latin America's relation to the program.

In the final analysis, the broad objectives of the European Recovery Program are consistent with, and in support of, the basic purposes of such international institutions as the International Monetary Fund, the International Bank for Reconstruction and Development, and the proposed International Trade Organization. Employment and production are fundamental if the peoples of the world are to maintain reasonable standards of living and if they are to enjoy economic and social stability as well as the prospects of world peace. We need not minimize the difficulties in

order to understand that the alternatives to the acceptance of the Marshall Plan are fraught with even greater dangers.[3]

The revival of European markets should gradually restore the triangular system without which a broad multilateral system is not possible. A decline in the present percentage of Latin-American export and import trade with the United States, in favor of Western Europe and other markets, will contribute to the restoration of equilibrium. The broadening of Latin-American markets under these conditions provides a sound base on which trade between the United States and Latin America, as well as trade among the Americas as a whole, can expand in absolute terms without making the economy of the Western Hemisphere dependent solely on the vicissitudes of business activity in the United States. One need not be unduly optimistic, therefore, to believe that the European Recovery Program, if carried forward on an adequate base, will lift inter-American trade to a higher absolute level and at the same time place it on a sounder economic foundation.

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[3]"The long-run effect of the European Recovery Program upon the export trade of Latin America does not differ materially from its effect upon United States exports. Just as the European Recovery Program is in the long-run interest of United States foreign trade, so it is in the interest of Latin-American trade with Europe. Disintegration of the European economy would have serious consequences on the single-product export economies of many Latin-American countries, but more particularly upon the River Plata countries whose economies are more closely integrated with Europe than with the United States."—*Latin America and the European Recovery Program*, Preliminary Report 23 of the House Select Committee on Foreign Aid pursuant to H. Res. 296, p. 8.

URUGUAY AND THE PROPOSED BASIC AGREEMENT FOR INTER-AMERICAN ECONOMIC CO-OPERATION

JUAN FELIPE YRIART

First Secretary, Embassy of Uruguay, Washington, D. C.

It is certainly a privilege for me to present for your study the "Project of Basic Agreement of Inter-American Economic Co-operation." As you must know, this project was prepared by the Inter-American Economic and Social Council for the consideration of the Ninth International Conference of American States, which will open its deliberations Tuesday next at Bogotá, Colombia.

I have taken your invitation as a recognition of the efforts of Uruguay in the field of Inter-American economic co-operation and its recent active participation in the drafting of the Project of Basic Agreement which we will consider tonight. And I have accepted it, not only because of the honor it entails to address a meeting sponsored by such a distinguished organization as your "Institute of Latin-American Studies," but also because it is my Government's wish to co-operate in all matters related to furthering economic and social ties between the American nations and to put forward aggressively its desire to strengthen such ties. This desire is not the outcome of recent developments or needs but the consistent policy of Uruguay in the one hundred twenty-three years of its independent life.

For over fifty years now the American republics have sought continuously to improve and develop the Inter-American System. In the beginning its objectives were mostly commercial. They have since gradually expanded to embrace all fields: political, economic, social, cultural, and military. The Pan American Union, the Inter-American Economic and Social Council, and the Inter-American Defense Board are taking to Bogotá next week comprehensive plans to achieve these objectives of co-operation.

The Agreement of Economic Co-operation will be a major document in the System. All Inter-American conferences have always devoted considerable efforts to the study of the economic field. Slowly the idea of economic co-operation has grown and become part of the thinking process of all American statesmen. The second World War increased the dependency of the American nations upon each other. The maladjustment and distress it left behind have placed foremost in the minds of the American governments the need to deal with the economic and social ills that plague our peoples.

When the Inter-American Conference for the Maintenance of Peace and Continental Security met last August at Rio de Janeiro, although the agenda did not include economic subjects and the field to be dealt with was purely political, everybody was aware that the thought that weighed heavily in the minds of all delegates was that of economic security. The

most vulnerable point in the defense of the Americas is the disparity in their economic development. Many countries suffer from the weakness of a primitive one-crop economy.

For days the delegates at Rio de Janeiro could not devote all their energy to the subject at hand. They knew that, although economic matters were not on the agenda, when they went back home their peoples would ask them if solutions had been found for their pressing economic problems—problems that create social unrest and political instability.

In the end most of the delegations sponsored a draft resolution, which later became Resolution IX of the Conference, charging the Inter-American Economic and Social Council with the immediate preparation of a "Project of Basic Agreement of Inter-American Economic Co-operation" to be considered at the Bogotá Conference. This was to be implemented with other multilateral and bilateral agreements that would be worked out in an economic conference to be held in Buenos Aires at the end of 1948.

Resolution IX said as follows:

> Whereas:
>
> Economic security which is indispensable for the progress of all the American peoples is, at all times, the best guarantee of political security and of the success of their joint efforts for the maintenance of Continental peace,
> The Inter-American Conference for the Maintenance of Continental Peace and Security
>
> Resolves:
>
> 1. That the Inter-American Economic and Social Council prepare a basic draft agreement on Inter-American economic co-operation, in order that the text be submitted to the Ninth International Conference of American States to be held at Bogotá.
> 2. That, for this purpose, the Governments of the American Republics designate to the Inter-American Economic and Social Council, in addition to their representatives or advisers, specialists in economic and financial affairs, and
> 3. That a special economic conference be called during the last half of 1948, on the date which shall be fixed by the Ninth International Conference of American States. The purpose of this special conference shall be to consider the best procedures for carrying out the agreement which may have been concluded and to examine any measures which tend to make Inter-American economic co-operation more effective.

The appointment of the Inter-American Economic and Social Council to prepare this Draft Agreement was to my mind eminently suitable. The Council is the successor of the Inter-American Consultive Economic and Financial Committee which was created in 1939 by the Panama Conference of American Foreign Ministers and which contributed much to alleviate the economic maladjustment of the war years. This Committee originated and put into effect the plan to operate enemy refugee ships, of so much help in the war effort. It produced one of the first and most far-sighted commodity agreements, the Inter-American Coffee Agreement. It created the system of Inter-American Development Commissions and studied credit problems, agriculture, and transportation.

In the Inter-American Conference held in Mexico City in 1945, after a review of the brilliant and effective record of the Inter-American Consultive Economic and Financial Committee, it was decided that such an institution should be permanent to serve as a sort of continuous economic assembly of the American nations. Thus it was transformed and amplified into the Inter-American Economic and Social Council. This organization, where practice had proved that the representatives of the American republics could sit together and study and seek solution to the gravest and most pressing problems, was, indeed, an excellent choice as drafter of the Agreement—an agreement that for the first time would put in an obligatory form the American ideas on economic co-operation and would define the duties of the component members of the Inter-American System in this field.

Again I wish to stress that the American nations, through the regular Pan American conferences, the special meetings of ministers of Foreign Affairs, and the commercial conferences, have dealt with economic and social problems and made recommendations, but no obligations have been undertaken in the field of economic co-operation.

It is becoming increasingly clear to every citizen of the world that the welfare and the fate of nations is intimately inter-connected. A few years ago it was as much a folly to say that man would fly as it was to say that the future of a nation was so closely connected with the future of others, politically and economically, that they should be of direct concern to each other. Nowadays a great majority of people rightly believe that this concern should go so far as to lend direct assistance when needed. The United States is definitely leading the way in this direction in these troubled times of ours.

But though our understanding of the world and our international conscience have progressed so much, the Inter-American System is going to be the first group of nations to define the scope of international economic co-operation and to undertake mutually the obligation to co-operate.

I find it difficult to stress enough the importance of this "Basic Agreement of Inter-American Economic Co-operation" that the American republics propose to adjust in the Bogotá Conference.

At the Rio de Janeiro Conference, Uruguay not only sponsored the resolution instructing the Inter-American Economic and Social Council to prepare this Agreement, but also looked forward to the formalization of duties within the field of economic co-operation. Indeed, my country has for some time bilaterally accepted the obligation to co-operate.

In June, 1941, when the River Plate Regional Economic Conference, attended by Argentina, Bolivia, Brazil, Paraguay, and Uruguay, took place in Montevideo, the Government of Uruguay signed bilateral agreements with the governments of Bolivia and Paraguay obligating itself to lend its assistance in the study and solution of public works projects and in the better development of the natural resources of those countries. It promised to lend its financial assistance to the solution of those problems.

The principles enunciated in the Project of Agreement are those that have guided the foreign policy of Uruguay and which have already bilaterally, been put into effect.

Uruguay believes, as it stated in the Draft Agreement, that "the economic welfare of each State depends in large measure upon the welfare of the others." It supports the idea that "States have the duty to co-operate for the solution of their economic problems and to act in their international economic relations animated by the spirit of the good neighbor." The only limit that is placed on this policy of co-operation is the fact that every country must adopt the domestic measures which are within its power before requesting foreign financial co-operation.

For these reasons, the delegation of Uruguay to the Inter-American Economic and Social Council, of which I am a part, has been able to support the great majority of the measures included in the Draft Agreement, which are designed to implement the basic ideas which I have expressed.

There exist obstacles of wide scope in the conclusion of an agreement. They are not so much due to the difference in objectives as to the difference in economic, social, and judicial advancement in the American nations.

Any careful investigator into the history and economic and social conditions of the American republics will note that it is a great error to believe that their development has been uniform.

I am proud to think that Uruguay is one of the nations that has been able to achieve great progress and great organizational success. I believe that it is due mainly to our appreciation of this fact that our people are so willing and desirous to co-operate in the "creation of conditions, in other countries, which, by means of an increase in production, in domestic and foreign trade, and in national and international investments, may promote everywhere the attainment of high levels of real income, employment and consumption, free from excessive fluctuations, to the end that their people may be fed, housed and clothed in adequate manner and may enjoy the services necessary for health, education and welfare."

The difference in the economic development of the participating nations would have been a real obstacle to the conclusion of a Basic Agreement of Economic Co-operation had it not been for the doctrine advanced by the Uruguayan delegation that "bilateral or multilateral arrangements, which, in conformity with the principles of the Basic Agreement, contribute to the economic welfare and common security, should be stimulated."

Thus the Basic Agreement sets up the broad objectives although their achievement is to be reached through bilateral or multilateral arrangements. These will study differences between the parties in a manner that the Basic Agreement could not contemplate as it has to heed the varied desires of twenty-one nations.

The objectives of the twenty-one nations have been divided into the following chapters of the Basic Agreement:

On Technical Co-operation.
On Financial Co-operation.
On Private Investments.
On Co-operation for Industrialization.
On Social Guarantees.
On Maritime Transportation.
On Inter-American Travel and,
On Settlement of Economic Disputes.

The chapter on Technical Co-operation clearly establishes a whole procedure of exchange of technical knowledge, technicians, and plans to help the execution of projects directed toward the strengthening of the economic structure of the American republics and the intensification of their agricultural and mining industries.

There exist in the Western Hemisphere countless opportunities to intensify already existing industries or to open new fields of production. In many cases these opportunities are not taken advantage of, not so much for lack of financial means, as for lack of trained personnel and technical knowledge. This is not easily remedied. The establishment of specialized schools and institutes is expensive. The services of foreign technicians are also very costly. The agreement provides the amount of assistance that each government can give to the others in this field.

The co-ordinator of these efforts, the central planning agency, is to be an institute especially created within the Pan American Union.

Uruguay finds itself in this case in a favorable position. Education is completely free; its colleges provide excellent training. Our agronomists, engineers, economists, architects, and other professionals already have been going to other American nations to serve in their technical capacities. But despite our favorable position, we would welcome the help of technicians trained in branches of knowledge that do not exist in our universities. Also, Uruguay is a small field for experimentation. The wealth of knowledge that can be brought by agronomists from countries where they can experiment in hundreds of thousands of acres, where they have modern and fully equipped laboratories, is incommensurable.

We did request that a clause be inserted in the Draft Agreement dealing with the exchange of specialized government officials, because we have pioneered in this respect, and we are very appreciative of the help that has been given to us in organizational matters and of the assistance we have been able to render other governments in the drafting of sanitary codes, customs codes, and social legislation, where our progress is evident.

Uruguay always has believed in freedom of trade and through experience has found that some of the most restrictive practices originate in the application of so-called "sanitary measures." We are as zealous as any other nation to protect our agriculture and our animal husbandry

from plagues and sickness, but we deeply object to the enactment of regulations that, using sanitary reasons as a pretext, constitute obstacles to the freedom of trade.

For these reasons we sponsored and obtained the inclusion in the Draft Agreement of a clause that would allow the proposed Inter-American Technical Agency to study with the specialized organizations and promote the adoption of sanitary standards, with respect to plant and animal quarantine, for the purpose of reaching an international understanding. This would avoid the application of such measures as an indirect means of imposing barriers to international trade.

Uruguay also requested that any conflict arising from such practices be submitted to arbitration tribunals, but at this time the Inter-American Economic and Social Council did not wish to include such a provision in the Draft Agreement.

The chapter on Financial Co-operation was greatly discussed and its provisions were difficult to determine.

Uruguay faithfully has adhered to all international efforts for economic organization and financial stabilization. It is an original member of the International Monetary Fund and of the International Bank for Reconstruction and Development. It believes in the principles they support and thus has been able to subscribe to this chapter which recommends that all domestic measures conducive to the achievement of the objectives of those institutions be taken.

Uruguay is fortunate to possess ample capital for its economic development and for the undertaking of all manner of projects for the common welfare. Its stock exchange is well organized, and in it transactions are normally concluded. Government bonds are well backed, and they are quoted generally near par. The level of savings is high.

Other nations are not in a similar position and find it necessary to seek outside financial assistance. Whilst we are in sympathy with their position and agree that all efforts should be made to solve their problems, it is our belief, as the Agreement expresses it, that investment expenditures in local currency should be covered from local funds.

The stability of our institutions, the honesty of our judiciary, and the soundness of our financial structure has made Uruguay a haven for foreign investment capital. In these conditions its need for foreign loans is not great. It does not reject them unconditionally, since they have in the past contributed greatly to its economic development, but in classifying them it expresses its preference for long term credits.

For the last two years, mainly due to the need to replace worn out industrial equipment and to import agricultural machinery, which was unavailable during the war, Uruguay has had an unfavorable balance of trade.

The dollar resources accumulated during the war have diminished. As a precautionary measure strict import controls have been established. But the situation is not grave. The balance of payment tends to level

itself by the entry of foreign investments and by no means do the import controls deprive our industry and our agriculture of the capital goods or raw materials it needs from abroad.

I do not wish you to think that Uruguay haphazardly wasted huge amounts of dollar currency that had been accumulated during the war. During the war, as in the prewar period, Uruguayan production found some of its most important markets in the European nations, principally in the United Kingdom.

For these exports Uruguay was paid in blocked sterling. The unused blocked sterling accumulated to form a balance of about 68,000,000 dollars in 1947. The possibilities of use of these blocked funds to purchase goods and equipment useful to the economy of Uruguay were, and still are, negligible. The result is that to pay for the majority of the imports made after the war, we have had to make use of our dollar balances.

It is within this chapter on Financial Co-operation, as within the provisions of the chapter on Private Investments, that we will have to look for the measures designed to permit us to participate in the European Recovery Program. It is not only because a great many material advantages point out the need for our participation in the Marshall Plan, but also because it is the creed of the American republics that economic security, indispensable for the progress of all peoples, will be at all times the best guarantee for political security and for the maintenance of peace, that we are going to participate in the European Recovery Program.

But no government can be asked to help strengthen the economy of another state or raise the standard of living of other peoples when those same things are desperately needed at home. This is why I have pointed out the importance of the chapters on Financial Co-operation and on Private Investments.

To allow the American nations to render assistance under the Marshall Plan, it will be necessary to prime their economies.

This priming of their economies will in all cases have to be done within the framework of the Basic Agreement and the two mediums advocated are the following:

1. The extension of medium and long term credits to each other through governmental or inter-governmental institutions and

2. The fostering of the flow of private investments.

Although the Government of the United States places the highest importance on the development of the economies of the Latin-American nations by means of foreign private investment, I believe that it also has understood the reasons that have prompted the Latin-American governments to request long term credits. Just a few days ago the President of the United States sent a bill to Congress requesting that the lending facilities of the Export-Import Bank of Washington be augmented by 500,000,000 dollars, to take care of some of the development requirements of the Latin-American nations.

The discussions that took place in the Inter-American Economic and Social Council in the matter of foreign private investment were long and difficult.

There is no doubt in anybody's mind that the investment of private capital is a very important factor in the general economic development and in the resulting social progress of the Latin-American nations. But the difficulty lies in the desire to obtain for foreign private investments a privileged situation.

The Representative of the United States in the Inter-American Economic and Social Council has voiced the fears of private groups who have had in mind the unfair treatment that in some cases foreign investors have received in the Latin-American nations.

Whilst I do not deny that there is basis for these fears, the difference in the economic and judicial organization of the American republics does not permit the making of detailed provisions in the Agreement that will cover all the republics.

There is no case in the history of my country where it can be pointed out that a foreign investor has received any different treatment than that accorded to nationals or Uruguayan corporations.

Our own constitution proclaims that all the inhabitants, whether citizens or aliens, are equal before the law and that no distinction between them will be recognized except that of their talents or virtues.

The Constitution also says that none will be deprived of his property rights except in cases of public need, which will be established by a law and that he will receive a just and fair compensation from the national treasury. When a property is condemned by reason of public need, the owners will be indemnified for any loss that they may suffer whether the condemnation is actually executed or not. And law provides that when a property has been condemned, the price of the condemnation will appear automatically in the national budget to safeguard the rights of the owner and to make sure that payment will be made.

An investor, whether a national of the country where he has placed his investment or whether an alien, cannot ask more than the assurance that his property is inviolable except in the cases of public need, established by law. But our Constitution goes further than this in the guarantees it grants. If a property is signaled for condemnation and Congress does not approve the law making this condemnation possible, or if for any other reason, the condemnation is not finally executed, a property owner will be paid for the damages that he may have received by the fact that his property was signaled for condemnation and, since this may have curtailed the gains, which he could rightfully expect to have made on this property.

Our judiciary is completely separate from the executive. Its decisions always have been and are impartial. I must here say that if you were to examine our records of justice, you would find that in lawsuits between the state and private individuals, the state is generally the loser.

Our laws do not distinguish in any way between national and foreign capital. Both are treated equally with regard to taxation, management, or any other matter.

The international movement of capital is completely free.

What other guarantees can a foreign investor claim?

Any other guarantee would place him in a privileged position with regard to the national investor and that, I am sure, is not generally the aim of potential foreign investors or of foreign governments.

In the face of these facts, the nations which, like Uruguay, have provided for an equitable and non-discriminatory treatment of foreign investment cannot accept provisions in an international instrument giving specific guarantees to foreign investors.

This would signify acknowledgment of the fact that foreign investors are placed under a discriminatory treatment; that the national administrative organization is backwards; and that the judiciary is lax in its duties. However, in our case, as in many others, there is nothing further from the truth.

Here is where we most strongly advocated implementing the provisions of the Basic Agreement by means of bilateral or multilateral agreements. The Basic Agreement sets up clearly the objective: the treatment of foreign investments must be equitable and non-discriminatory. If it is not clearly provided in the national legislations, then, before investors come into the field, the government or governments of the nation to which they belong will adjust, with the governments of the states that will receive the investments, bilateral or multilateral treaties to make absolutely effective the provisions of the Basic Agreement.

We also requested that the Inter-American Economic and Social Council, either directly or through appropriate organizations, prepare a code or a body of measures relative to the investment of foreign capital in the American countries. The code would set forth the general principles and practical standards conducive to this end. We think that once this is done, it will promote the adjustment of bilateral or multilateral agreements to carry out the provisions which may have been enacted.

The Inter-American Economic and Social Council did not believe it appropriate to include this suggestion in the Project of Basic Agreement, but it has become part of the report that will be placed in front of the Bogotá Conference at the same time as the Basic Agreement.

This idea of enacting a code that would create an atmosphere of mutual confidence necessary for the promotion of foreign capital investments is shared by other nations too. It has been recognized as effective by international organizations such as the old League of Nations, the United Nations, and the Permanent Council of American Associations of Commerce and Production.

In view of the present situation of the economy of the Latin-American nations, there are two fundamental rights that the American states must reaffirm in their dealings with foreign capital investments.

In the first place, foreign investments must not be utilized, directly or indirectly, as an instrument for intervening in national politics or for prejudicing the security or the fundamental interests of the receiving country.

In the second place, it is up to the governments of the receiving country to establish standards with respect to the extent and terms in which foreign investments will be permitted.

The first principle is axiomatic, and I firmly believe that foreign investments that find themselves in a medium of order, equity, and legal and judicial guarantees will not seek to intervene in national politics or to prejudice the security or the fundamental interest of the host nation. It is only when they find themeselves in a medium of corruption, disrespect, and unfavorable treatment that they seek to intervene illegally in the public administration.

The second principle, that it is up to the governments of the receiving nation to set up standards with respect to the extent and terms on which foreign investments could be permitted, is also of the greatest importance.

If you consider, for example, the present situation of industry in our countries, you will agree with me that it is impossible to permit a foreign company to set up an industry that, due to its capacity of production and its efficiency, will liquidate all competition in that field; and, furthermore, to permit such a company, after it has made the profits it envisaged, to leave the country, as our legislation undeniably allows it, leaving behind a scene of disorganization.

It cannot be charged fairly that our governments will refuse the entrance into local competition of newer skills and greater technical knowledge, in defense of old-fashioned methods of production, inefficient and costly. It is not against this that the right to permit or deny the entrance of foreign capital is directed. It is against the adventurous capital that seeks a short-term profit and does not wish to integrate itself with the economy of the nation from which it derives its gains. Unfortunately, such capital does exist, and we must face this reality.

It cannot be doubted that the measures provided for in the Basic Agreement will be attractive to foreign investors. They have been designed for that purpose because, as in the past, the development of the Latin-American nations will continue to rely greatly on foreign capital.

There is, nevertheless, the feeling in the Latin-American republics that the flow of foreign investments must also be fostered by the investor nation. In this respect, the general sentiment is that the principal step to be taken is the elimination of double taxation.

Especially in the case of United States investments, capitals going abroad are subject to taxation in the United States. This means that the field to which they go must show possibilities of profit even greater than normal.

The Basic Agreement states that the American nations will endeavor to conclude bilateral or multilateral agreements with the object of eliminating double taxation. The Latin-American republics generally

feel that this will stimulate the investment of private capital abroad and also that it is the exclusive right of the countries where the capital is invested to tax the income therefrom.

Do not minimize the importance of this suggestion, and, above all, bear in mind that one of the biggest investors of the world is the United States. Your country can contribute effectively to the development of economies less prosperous than yours by removing obstacles, like double taxation, that obstruct to a certain measure the free flow of capitals.

I would like to point out here that Uruguay is fully aware of the advantages represented by the incorporation of foreign capital to the national economy. Our progress has been brought about in good part by British investments at a time in our history, many years ago, when there was a great risk in investing in our country. Due to the present grave economic situation in the United Kingdom and to the accumulation in our favor, which I have mentioned, of large balances of blocked sterling, Uruguay has already purchased from the British investors the majority of their investments.

We have had experience as recipients of foreign investments, and now we ourselves are foreign investors. We think that this places us in a privileged situation to judge the provisions of the Project of Basic Agreement of Inter-American Economic Co-operation in the matter of private investments. And please believe me when I tell you that I think that these provisions are fair both for the investor and for the recipient nation.

When the statesmen of the American republics express their thoughts, you will hear, principally, mention of industrialization.

When the Latin-American nations speak of industrialization, do not fall in the error of believing that the state of industrialization they want to achieve is one similar to that of the United States.

They wish mainly to process in its primary stages the raw materials and the foodstuffs they produce. This will be for them the means of obtaining fuller employment and of raising the national income. This is the only way to increase the purchasing power of their people, thus elevating their standard of living and starting a chain of greater production, greater consumption, greater possibilities of export, greater capacity to import.

This is why the subject of industrialization is so frequently dealt with in the Basic Agreement. There is even a chapter on Co-operation for Industrialization.

The tendency to develop industries in Latin America is understandable and justified. The Latin-American nations, being so greatly dependent for many of their requirements on extra-continental markets, have been the victims of increasing nationalism and of the effects of disastrous wars.

Anyone in our country will tell you that it is necessary to develop our industries so that our income increases. We want greater employment and a higher standard of living.

I fear that sometimes this desire to develop industries is incorrectly interpreted in the United States as a desire of the Latin-American republics to set themselves up as competitors of this country. I think, as I have said before, that there is nothing further from the truth than this.

Uruguay feels that it has developed its industries and plans to continue doing so. But the industries it has developed, and will continue to develop, are chiefly those that process its raw materials. Its beef is utilized as much as possible as well as the by-products; its wool is exported in the form of textiles or scoured; its linseed is pressed to obtain oil.

But Uruguay is not a competitor of the United States and neither are any of the Latin-American nations. Rather, by developing their industries, they have increased their purchasing power and become better customers of the United States.

The Basic Agreement also reflects the preoccupation of the Latin-American nations and perhaps especially those of the ones of the southern part of South America, with the difficulty of obtaining the capital equipment necessary for the normal development of their economies and for the repacement of their worn-out production machinery.

The Marshall Plan will no doubt require the re-establishment of a system of priorities and rigid controls. The fear is that the requirements of the European nations will be contemplated before the requirements of the Latin-American nations. This would not only mean the economic stagnation of the American republics but also the paralysis of their progress. And the detention of the progress of peoples who are bettering themselves means social and political unrest. If we do not take this into consideration, we will find that the American republics will fall short in their participation in the European Recovery Program or that at the end of the program their economies and their production machinery will show the same ills and maladjustments that now we are trying to remedy in the case of the European nations.

All the economic policies adopted by my country, as is also the case of the other American republics, have had as an objective the elevation of the standard of living of our people and the attainment of social justice.

The Project of Basic Agreement will obligate the American states to co-operate, in the most effective possible manner, in the solution of their social problems and in the adoption of measures appropriate to their political and social institutions. These should lead towards:

a) assuring the effective reign of social justice and good relations between workers and employers,
b) fostering opportunities for useful and regular employment, at fair wages, for all persons who want and are able to work,
c) minimizing the disruptive effect of illness, old age, temporary unemployment, and work hazards on the continuity of earnings,

d) safeguarding the health, welfare, and education of the entire population, with special regard to maternal and child health, and
e) providing suitable administrative machinery and personnel to implement these programs.

I am proud to be able to tell you that these objectives are not an ideal in my country but something achieved long ago and possibly already surpassed.

I would like to list some of the provisions of our Constitution in this field:

It says that the state will legislate in all questions related to health and public hygiene and that its goal will be the physical, moral, and social improvement of all the inhabitants of the nation.

It provides that all the inhabitants must preserve their health and seek assistance in case of need. And it makes it the obligation of the state to offer to those who cannot afford it, absolutely free, preventive medical care and assistance. The state is responsible for hygienic and economic housing for labor, and it guarantees to all, without prejudice to their freedom, the right to apply their intellectual or physical energies in a manner benefiting the community. It also guarantees to all who are employed the independence of their moral and civic conscience, just remuneration, and fair working hours.

These rights are practiced, and in each case legislation has implemented them. For example, for every economic activity where there are employers and employees, there function arbitration tribunals that set up wages and whose decisions are obligatory. In these tribunals there is equal representation from the employers and the employees. Social security is organized to benefit all workers and employers; everyone, in fact, is assured a fair pension at the end of a gainfully-employed life. Special regard for maternal and child health and care is provided, and a very important agency of the government carries into effect the provisions of the law.

In the social field, we are justly proud of our progress, and we are willing to share our knowledge and to co-operate with the other American republics in the attainment of the same high standards we have achieved.

The objectives of the American republics are set very high. The contribution that each one made to the drafting of the Basic Agreement of Inter-American Economic Co-operation has been in keeping with its record, its economic potentiality, and with the character of the problems it has to face.

In the course of the next few weeks, there will come to us the versions of the discussions that will take place in Bogotá around this Draft Agreement. Bear in mind, despite the wide difference in thinking that will appear, that fortunately the American nations *do* have common objectives and that the magnitude in the discrepancy of their opinions will be in proportion to the space they have to cover to attain those objectives.

Providence has been kind to my country; our leaders have had a clear vision of the future; the people have been hard workers; the result has been encouraging.

Uruguay sees in this Basic Agreement of Co-operation the way to help others achieve the same goals we have gained and to help us continue in the road of progress. Uruguay is so vitally interested in the welfare of the other American states because it knows that in the future, community of ideals will not be possible without similar economic development and well-being, and because it knows that the American faith in peace is the child of prosperity.

EL SENTIDO DE LA ACTUAL CRISIS ARGENTINA

ANÍBAL SÁNCHEZ REULET

Argentine Philosopher; Former Professor of the University of Tucumán; Guggenheim Foundation Fellow

Conciencia de la crisis.

La breve historia de la Argentina—una historia tan breve que casi no parece historia—, es la historia de una gran crisis. La gran crisis de crecimiento que ha llevado a la Argentina, uno de los países más pobres y primitivos de America, hasta hace apenas cien años, a ocupar una posición de privilegio entre las naciones latinoamericanas. No sólo por su poder económico, también por su significación política y cultural. Sin embargo, dentro de esta gran crisis se puede observar, en los últimos veinte años, una agudización crítica de la crisis. Jugando seriamente con las palabras, podría decirse que la crisis ha hecho crisis. Porque el crecimiento de la Argentina, que se acelera prodigiosamente desde 1880, en medio de su desorden, daba la impresión, aún a los más pesimistas, de que el país maduraba gradualmente y que las imperfecciones, las deficiencias, los fracasos que se experimentaban de tanto en tanto, eran sólo episodios pasajeros, sin gravitación futura. Pero hacia 1930, y la elección de la fecha no es arbitraria, empiezan a aparecer síntomas adversos: precisamente los síntomas de la crisis. De una crisis en que quizás habíamos venido viviendo los argentinos hasta entonces sin reparar seriamente en ella.

En efecto, en 1930 se quiebra la continuidad del orden constitucional que se había mantenido sin interrupción por más sesenta años. Un movimento militar, aunque con apoyo y colaboración civil, depone al presidente, clausura el Congreso e instaura una dictadura. Desde entonces puede afirmarse que el país no ha vuelto sino formalmente al pleno goce del régimen constitucional. Pero la ruptura del orden constitucional y la intervención del ejército, que avanza así a un primer plano y mediatiza al poder civil, del que hasta 1930 se había mostrado respetuoso, no es sino uno de los aspectos de la crisis reciente. Hay otros y no menos significativos. Por lo pronto, la crisis de los partidos políticos tradicionales. La llamada revolución de 1930, que inspiraron las fuerzas conservadoras, tuvo como origen la incapacidad del partido gobernante que, a pesar de estar respaldado por una gran mayoría del país, no encontraba solución a los problemas del momento. Ni siquiera a los que tenía planteados en su propio seno. Pero tampoco las fuerzas conservadoras—ni antes, ni después de 1930—consiguieron unificarse en un partido orgánico, moderno y con verdadero arraigo en la opinión popular.

Desde 1930 se notan, también, otros cambios decisivos. La economía del país parece perder su fuerza de libre expansión. Sus riquezas fundamentales, la ganadería y la agriculura, se estancan. Y el Estado empieza a intervenir cada vez más en la dirección y regulación de la economía. Habían pasado, y quizás para siempre, los felices tiempos del liberalismo

económico. Y la Argentina, que hasta entonces había estado tan necesitada de mano de obra, conoce con la depresión de 1930, por primera vez, el siniestro fenómeno de la desocupación. La consecuencia inmediata fue que la Argentina, que había crecido hasta entonces con el aporte inmigratorio europeo, se vio forzada, de pronto, a cerrar sus puertas a la inmigración. Al mismo tiempo, se empiezan a conocer los primeros signos de la xenofobia intolerante y agresiva. Signos extraños en un país que había sido siempre amplio y generoso para el forastero. Desde 1930 empiezan a alterarse también fundamentalmente las relaciones del Estado y la Iglesia Católica y desde 1930 los argentinos ven restringirse el sistema de libertades públicas de que habían gozado por más de medio siglo.

Todos estos síntomas autorizan a hablar de crisis. Pero el síntoma más importante, a mi juicio, es que desde 1930 se empieza a hablar en la Argentina de que el país está en crisis. Porque una crisis histórica se desata en el momento mismo en que se tiene conciencia de ella. La crisis hace crisis cuando se empieza a hablar de crisis. Hasta 1930 nadie hablaba en la Argentina de crisis, al menos en el sentido pleno de la palabra. Nadie pensaba que el país pudiera estar en crisis. Por el contrario, arrastrada por su prosperidad económica, la Argentina se levantaba en la ola de un optimismo irrefrenable. Aún para los espíritus más críticos nada grave pasaba en el país. De entonces data ese sentido providencial que posee a la mayoría de los argentinos y que hace exclamar a muchos, con un dejo de cínica ironía: *Dios es criollo.* La Argentina era una democracia joven, pujante, con un porvenir ilimitado, que iba corrigiendo sus propios males internos, que había resuelto o estaba resolviendo con facilidad sus problemas: la Argentina tenía instituciones regulares, en la Argentina no había revoluciones ni golpes militares, en la Argentina no existían problemas raciales ni religioso y la Argentina había alconzado un alto nivel económico y cultural del que podíamos complacernos. Nos enorgullecíamos, por último, de que Buenos Aires, con sus avenidas modernas, sus tiendas elegantes y sus grandes teatros, fuera la segunda ciudad latina después de París.

Pero desde 1930 muchos argentinos—probablemente los mejores—empiezan a salir de su sueño. Empiezan a ver que el país tiene tremendos problemas que en nuestra inconciencia apenas habíamos sospechado. Empiezan a ver a su propia patria con ojos críticos. Al principio no se descubren sino los aspectos exteriores de la crisis y se habla de una crisis política, o de una crisis económica o, a lo sumo, de una crisis de la conciencia cívica. Pero, a medida que la conciencia de la crisis iba cobrando forma y voz, se vio que, más allá de la crisis política y económica, el país pasaba por una crisis más profunda que lo afectaba desde sus propios fundamentos. Se puede ver cómo crece y madura esta conciencia de la crisis a través de la literatura. Porque, si bien el problema preocupa por igual a muchos políticos, sociólogos y economistas, se refleja principalmente en la literatura. Hay una literatura de la crisis a la que pertenecen algunos de los mejores libros que se han escrito en la Argentina. Es el caso de la *Radiografía de la Pampa* (1933) *y La cabeza de Goliath* (1940) de Ezequiel

Martínez Estrada, o de la *Historia de una pasión argentina* (1937) de Eduardo Mallea, o más recientemente de *Las ideas políticas en la Argentina* (1947) de José Luis Romero. En estos libros y en los muchos artículos y ensayos de Bernardo Canal Feijóo y Carlos Alberto Erro, se puede seguir el desarrollo de la literatura de la crisis. El planteo que ellos hacen de la crisis puede parecer a ojos extraños excesivamente dramático y, en algunos casos, demasiado literario, pero son los que han contribuído a afinar la percepción de la realidad argentina, a destruir el velo de ilusiones con que pretendíamos ocultarla.

Los antecedentes históricos.

Para comprender en su plenitud el sentido de esta crisis por la que viene pasando la Argentina en los últimos veinte años, conviene examinar sus antecedentes históricos y ver cuáles han sido las tendencias dominantes desde que el país inició, en 1853, su etapa constructiva. La clave del presente puede estar algunas veces en el futuro. Pero hay que buscarla casi siempre en el pasado. Y en el caso de la Argentina—abierta todavía a un gran futuro—la crisis presente es el resultado de los desequilibrios, desacomodaciones y desniveles a que ha dado lugar su vertiginoso crecimiento.

Con la caída de Rosas en 1852, se cierra formalmente uno de los períodos más oscuros y negativos de la vida argentina. La dictadura de Rosas mantuvo al país por más de veinte años en un estado de verdadera parálisis social y económica. Con su caída se inicia, en cambio, un período acelerado de desarrollo, transformación y enriquecimiento. El proceso se debió principalmente a dos factores: la inmigración europea y la afluencia de capitales extranjeros. Los hombres que asumen el poder después de 1853 trabajan todos en el mismo sentido: atraer al despoblado y casi virgen suelo de las pampas, grandes contingentes de hombres y capitales. Las circunstancias eran favorables: Europa tenía excedentes de población que debía volcar sobre nuevas tierras, como ya lo había estado haciendo en los Estados Unidos. Inglaterra poseía, por su parte, enormes sumas de dinero que requerían inversión segura en el exterior. Y la Argentina podía convertirse en un gran productor de los alimentos y las materias primas que Europa, pero en particular Inglaterra, necesitaban. Los grandes terratenientes, poseedores de la que hasta ese momento era, no sólo la mayor, sino la única riqueza—la tierra y el ganado—y que hasta la víspera de su caída habían respaldado el gobierno de Rosas, vieron quizás en esta aventura un motivo para nuevos negocios. Pero los hombres que habían inspirado el movimiento renovador tenían otra intención. Es la intención que se trasluce a través de los escritos de Alberdi—el más grande teórico y preconizador del nuevo programa—y en los de Sarmiento, Mitre y Avellaneda que, desde el gobierno, habrían de ponerlo en marcha. Se trataba, en suma, de barrer el pasado colonial y construir hacia el futuro una nueva nacionalidad.

Cualquiera que sea el juicio que nos merezca, el experimento fue lanzado y ya es tarde para las lamentaciones. Los tradicionalistas que en la

Argentina miran hacia el pasado y piensan en una restauración de la tradición colonial y criolla, trabajan sin esperanzas contra la historia. La nueva Argentina, la verdadera Argentina, la que llega a nuestros días, comienza con la gran avalancha inmigratoria entre 1860 y 1880. Es entonces que se inicia la segunda colonización del Río de la Plata.

Y la crisis presente es, en buena parte, una consecuencia del aluvión inmigratorio. Porque el país se vio anegado por una gran masa humana. Los datos demográficos dicen más que las palabras. Hacia 1869, fecha del primer censo, la población de la Argentina alcanzaba apenas a 1,800,000 habitantes. Desde 1870 a 1930, en que el país se cierra a la inmigración, llegaron algo más de 6,500,000 inmigrantes. Cerca de 3,000,000 regresaron al cabo de un tiempo a sus países, pero quedó un saldo de más de 3,500,000 suma desproporcionada si se la compara con la población inicial. Los riesgos de esta imponente inundación de hombres en un país pequeño no fueron atenuados, desgraciadamente, por una politíca firme que favoreciera y orientase la incorporación inteligente de la gran masa inmigratoria. La incorporación se produjo, desde luego, pero de una manera inorgánica y desordenada. Ya a los pocos años de iniciado el proceso, cuando empiezan a verse los resultados, los propios preconizadores de la inmigración—Alberdi y Sarmiento—señalaban los peligros. Si hay que discernir responsabilidades históricas, yo diría que recae sobre las clases gobernantes argentinas que no supieron, sobre todo después de 1880, asumir un papel directivo. Arrastrados por la ola creciente del optimismo, alentados por el rostro sonriente de la riqueza que nacía, sin sentido de previsión y sin cautela, se entregaron al goce fácil del poder y abandonaron la dirección del país a las contingencias del azar o del interés privado. Sería injusto desconocer que dentro de esa clase gobernante hubo hombres de intención honrada y de inspiración generosa. No se puede intentar una condenación en masa. Pero la acción de esos hombres gravitó cada vez menos en el gobierno efectivo del país. Y al final no fueron sino voces aisladas que proclamaban la corrupción del régimen. Es cierto, también, que la vieja sociedad argentina, la sociedad criolla arraigada en el país, no estaba bien preparada para recibir el impacto inmigratorio. Pero es verdad que hizo poco para resistirlo. Se dejó arrastrar por los acontecimientos en vez de dirigirlos. Y la nueva Argentina, que había nacido con un plan bien definido, creció sin plan.

Recordemos solamente cómo se fué distribuyendo la población desde 1880. La marea inmigratoria no hizo más que agravar el desequilibrio que ya existía entre Buenos Aires y el interior del país y que fué una de las causas de las luchas políticas y de las guerras civiles en el siglo XIX. Actualmente, de los dieciseis millones de habitantes de la Argentina, la cuarta parte está concentrada en Buenos Aires y sus alrededores. Y la población de la ciudad, sumada a la de la provincia de Buenos Aires, constituye la mitad de la población total. La ciudad de Buenos Aires, por otra parte, es a un mismo tiempo el centro político, financiero, comercial e industrial de la Argentina y monopoliza la mayor parte de la riqueza del país. La provincia de Buenos Aires, a su vez, con su extendido y fértil

territorio, posee los más vastos recursos agropecuarios de la nación. El desnivel de población es igualmente notable si se compara la población rural con la urbana. Puede calcularse que hoy más del 75 por ciento de la población argentina vive en ciudades o centros urbanos. En el *Facundo*, Sarmiento plantea el problema argentino como una lucha entre la ciudad y el campo, entre lo que llamaba la civilización y la barbarie. Para él la lucha debía definirse por el triunfo de la ciudad y de los hábitos e ideales de civilización que ella representaba. En ese sentido, podría afirmarse que la causa de Sarmiento ha triunfado. Y de qué manera: de país esencialmente rural, la Argentina ha pasado, en poco más de cincuenta años, a ser una nación superurbanizada. Sin embargo, estoy seguro que el genial disconforme no se sentiría satisfecho si pudiera contemplar el espectáculo de esta Argentina—tan diferente de la que él conoció—en pleno auge de la civilización.

El tinglado económico.

El crecimiento desmesurado de las ciudades—y en particular de Buenos Aires—y el desnivel de población entre el litoral y el interior, no es, con todo, arbitrario o caprichoso. Si el inmigrante se estableció preferentemente en el litoral, es porque éste le ofrecía mayores posibilidades: era la región más rica y de más fácil desarrollo. Si la población se agrupó en las ciudades es porque allí la vida era más segura y porque la política latifundista y los modos de explotación de la tierra impedían un aumento proporcionado de la población campesina. La política de los sucesivos gobiernos desde 1880, no sólo no sirvió para remover los factores adversos, sino que más bien vino a favorecerlos. Los grupos terratenientes quisieron conservar en todo momento el monopolio de la tierra y tenían influencia suficiente como para torcer la voluntad de los gobernantes a su favor.

En efecto, la aristocracia terrateniente cimentó su poder en el latifundio y la ganadería. Lo demás no le interesaba. Y si la agricultura se desarrolló y la Argentina—que hacia 1870 todavía importaba harina y en cuyos campos, a mediados del siglo pasado, no se conocía el pan—acabó por convertirse en un gran país agrícola, fué por el esfuerzo obscuro de miles y miles de inmigrantes ignorados. Pero, apesar de las muchas leyes de colonización que se votaron, no hubo nunca una política agraria que permitiese una justa distribución de la tierra. Mientras los grandes terratenientes aumentaban su patrimonio con los nuevos repartos de la tierra pública, el agricultor debía resignarse a la triste condición de arrendatario. Las tierras eran arrendadas a los inmigrantes o trabajadas con inmigrantes, pero el monopolio, en lo posible, quedaba en las manos de unos pocos terratenientes. Sin embargo, por curiosa paradoja, en su estrecho egoísmo, las clases posesoras entregaron las llaves del negocio; los medios de transporte, los frigoríficos, los molinos harineros, el comercio de la carne y los cereales, fué abandonado a manos extrañas y quedó pronto bajo el control de grandes compañías extranjeras o de consorcios internacionales que, al manejar la riqueza, manejaban tambien el crédito. Se creó de ese modo una estructura económica falsa que

colocaba a la Argentina en una situación de vasallaje económico y que la ligaba con lazos indisolubles a Inglaterra. La Argentina se convirtió así, por la presión y la miopía de los intereses ganaderos, en una nación estrechamente asociada al Imperio Británico. Es verdad que el país no tenía experiencia, que no poseía técnicos y que carecía, al menos en los comienzos, de capital suficiente. Y en la marea de la prosperidad era difícil que prosperasen, también, la inteligencia y el buen sentido. Pero, en cualquier caso, es duro justificar un abandono tan completo de la dirección de un país.

El tinglado político.

La riqueza no sólo corrompe, también ciega. En su ceguera, la aristocracia terrateniente encontró su perdición. Segura de su poder, afianzada en los privilegios que le daba la posesión de la tierra, no sólo abandonó el control de la riqueza a manos extrañas, sino que fue entregando poco a poco los resortes que podían mantenerla en el poder. Y dejó crecer, tumultuosa y caóticamente, las fuerzas que habrían de provocar su destrucción: la fuerzas de una nueva Argentina.

Dueña del poder político a espaldas de la voluntad popular, la aristocracia terrateniente acabó por convertirse en una oligarquía que se cerró sobre sus propios intereses de clase o de partido y no dio ejemplo, precisamente, de generosidad y de virtud. Las clases conservadoras no supieron, por eso, crear partidos políticos orgánicos, ni desarrollar en el pueblo argentino hábitos de auténtica democracia. El sentimiento democrático habría de crecer porque respondía a los instintos de la masa, pero crecería a su modo, espontánea y desordenadamente.

La oligarquía terrateniente era una minoría ilustrada, de mentalidad liberal, de inclinación progresista, respetuosa de la libertad de expresión, pero que gobernó siempre con modos autocráticos y que imprimió un sello autocrático a la vida política argentina. Este desequilibrio de poder daría con el tiempo amargos frutos. Así como la riqueza económica se había concentrado en las manos de la clase terrateniente, así también el poder político se concentró cada vez más en las manos de ese gran mago que se llama el presidente de la República. En la intención de Mitre, de Alberdi, de Sarmiento, estaba, desde luego, la creación de un poder ejecutivo fuerte que tuviese en sus manos los principales resortes del Estado. Porque ante el espectáculo de una Argentina dividida por la lucha de facciones y por los apetitos de los caudillos lugareños, la unidad de la nación y el orden constitucional no podían imponerse, al parecer, sino mediante la existencia de un gobierno centralizado, sólido y fuerte. La política presidencialista que ellos preconizaron se acentuó con el tiempo. Claro está que mientras el presidente vio mediatizado su poder por los círculos minoritarios que lo habían exaltado y que lo controlaban, desde los conclaves políticos más que desde los escaños del Congreso, se estaba muy lejos del riesgo de una dictadura. Pero el día que un presidente surgiera, sin contrapesos, por el voto popular y por el sólo prestigio de su personalidad—bien o mal adquirido, poco importa—el peligro de una dictadura unipersonal se haría evidente.

Por otra parte, las minorías dirigentes no supieron abrir los cauces necesarios que permitieran el desarrollo ordenado de la sociedad argentina: el complejo sistema de vasos capilares que permitieran al país absorber gradualmente las energías que el aporte inmigratorio traía consigo por una adaptación inteligente de las nuevas clases sociales. Porque entre la masa campesina criolla, desposeída y en derrota, y el círculo familiar de los grandes propietarios, fue surgiendo y creciendo, poco a poco, un nuevo estrato social, un estrato inorgánico, pero cada vez más poderoso, que estaba constituído por los inmigrantes mismos o por sus hijos. Por llamarlo de alguna manera podríamos decir que era la clase media. No ha sido nunca comparable, sin embargo, a la clase media de los países europeos. Porque en ese estrato social se confundían agricultores, comerciantes, obreros, artesanos y pequeños industriales y, más tarde, profesionales y técnicos. Más que clase, ha sido, y sigue siendo todavía, un *status* social y económico sumamente inestable dentro del cual puede ascenderse rápidamente. A favor de la prosperidad económica, el obrero se convertía en pequeño industrial y el pequeño industrial en capitán de industria. Y al cabo de unas cuantas buenas cosechas un agricultor afortunado podía pasar de la situación de arrendatario a la de propietario y, en casos excepcionales, transformarse también en un respetable terrateniente. Y los hijos de los comerciantes, por su parte, prosperaban en las carreras liberales, en la Universidad, en el ejército y en la Iglesia. Esa permanente inestabilidad de la llamada clase media, que con el tiempo llegó a constituir una poderosa mayoría, debe tenerse presente si se quiere entender el desarrollo y las curiosas vicisitudes de la vida política argentina. La sociedad argentina desde 1890, en que la clase media hace su primera aparición en el campo político apoyando el movimiento contra el gobierno de Juárez Celman, ha sido una sociedad inestable caracterizada por un poderoso movimiento ascensional de grupos humanos que se elevaban económicamente y adquirían conciencia de su poder social. Y esa inestabilidad explica, entre otras cosas, que durante mucho tiempo el movimiento obrero no haya tenido fuerza ni consistencia efectivas.

El fracaso político de la clase media.

La clase media tomó finalmente el poder político. El triunfo de D. Hipólito Yrigoyen y del partido radical que él encabezaba, en las elecciones de 1916, significa el encumbramiento político de la clase media. Confusa y oscuramente, Yrigoyen representaba los intereses de las nuevas fuerzas sociales. Pero no poseía, desgraciadamente, directivas políticas claras. Yo podría exaltar y embellecer retóricamente esta forma de democracia tumultuosa que permitió el acceso al poder del ciudadano del montón, del hombre común, del *common people*. En cierto modo Yrigoyen representa en la historia argentina lo que Jackson representó en la historia norteamericana. Pero no me engañan las apariencias. Mientras, en una verdadera orgía demagógica, se abrían las válvulas a todos los posibles apetitos, los intereses tradicionales de las clases terratenientes permanecían intactos. Los nuevos grupos gobernantes no parecían estar interesados tanto en la

destrucción de los privilegios como en participar de ellos, sustituyéndose, en todo caso, a los privilegiados. Y la aventura terminó en el fracaso. Hipólito Yrigoyen vuelve por segunda vez a la presidencia, en 1928, con una mayoría abrumadora de votos, pero cae dos años después sin lucha y sin gloria ante las primeras dificultades con que tropieza en la depresión económica de 1930. Se cerraba así un nuevo y triste capítulo en la historia política de la Argentina.

No cabe duda de que las mejores fuerzas y los mejores hombres que hoy tiene el país provienen de la clase media. De ella han surgido los grupos más enérgicos e inteligentes que luchan por dar al país una dirección clara que permita no sólo su desarrollo futuro, sino su madurez social. Pero esas fuerzas, esos hombres y esos grupos están todavía en minoría. No consiguieron nunca polarizar y orientar políticamente a la masa de la cual provenían.

Es triste confesarlo, pero el fracaso y la desorientación de la clase media argentina tuvo y tiene raíces mucho más profundas de lo que suele suponerse. Las mismas raíces de las que se ha venido alimentando el caos político que, con ligeros intervalos, ha conocido el país en las últimas décadas. Y hay, para mí, una razón decisiva que proviene del desequilibrio que se ha producido en la Argentina entre su desarrollo económico y social y el nivel de su cultura media. No puede extrañar por eso, ni la escasa educación política de las mases, ni la inexperiencia y falta de preparación de muchos de sus dirigentes. El empuje ascensional que, en menos de un siglo, ha transformado a la Argentina, de país semibárbaro en nación rica y floreciente, tenía que producir esa dolorosa desacomodación. No todos los que prosperaban económica o políticamente adquirían con la misma celeridad los conocimientos y la cultura—sobre todo, la cultura—que debiera corresponder a su nueva situación social. No olvidemos, tampoco, que la Argentina—la más pobre entre las colonias de España—poseía una tradición cultural relativamente débil y tuvo que improvisar un sistema educacional del que hasta entonces había carecido. Hacia 1850 no había más de doscientas escuelas primarias, apenas existían colegios secundarios y no había universidades más que de nombre. Hubo que hacerlo todo desde el principio y hacerlo de prisa, importando métodos, libros, maestros. Y lo que es más grave: atendiendo a la cantidad y a la extensión, más que a la calidad y a la hondura. Por el tamaño de la empresa puede medirse la magnitud del milagro. La Argentina se jacta hoy, y con razón, de tener una mínima proporción de analfabetos, y de haber alcanzado, en el campo de la cultura y de la ciencia, una posición envidiable. Ha sido el primer país de América Latina al que ha correspondido el honor de un premio Nobel en medicina, muchos de sus institutos científicos tienen renombre mundial y sus universidades habían alcanzado un alto *standard* académico. Sin embargo, la cultura media del país dista de ser satisfactoria. Sólo una porción relativamente pequeña de su población sigue estudios secundarios y muchos menos son los que llegan a la Universidad.

Finalmente, ha habido dos factores adversos que han conspirado contra el esfuerzo educacional que indudablemente ha hecho el país. En primer lugar, una gran parte del contingente inmigratorio no provino, como quería Alberdi, de los países cultos y avanzados de Europa, sino de regiones pobres e incultas. Y estaba constituído en su mayor parte por campesinos analfabetos y no por artesanos y obreros instruídos. En segundo término, la excesiva aglomeración urbana ha dado lugar en la Argentina, como en otras partes, a esas nuevas formas de barbarie civilizada que padece el mundo contemporáneo: un tipo de hombre que posee todos los atributos exteriores de la cultura, pero que en el fondo es horriblemente inculto. Que se alimenta del pasto que día a día le dan la radio, los magazines y los diarios populares y que, fuera de eso, ni lee nada, ni se entera de nada. Pero opina, vota, actúa, influye y manda.

El fin de una era.

Así creció la Argentina entre los halagos de la facilidad: el país se enriquecía, los negocios eran prósperos y los acontecimientos del mundo no hacían más que empujarlo hacia arriba. Pero llegó el año 1930. Es la fecha en que hacen crisis, a un mismo tiempo, el orden político y la estructura económica vigentes desde 1853.

En 1930 la marcha ascendente, libre, expansiva de la Argentina se interrumpe de pronto. Su economía ha tocado fondo. Hasta entonces habíamos vivido de la exportación sin trabas de nuestras carnes y nuestros cereales. Pero hacia 1930 ese tipo de economía ya no tenía nuevas posibilidades de expansión. Al desatarse los nacionalismos económicos en Europa, la Argentina ve cerrarse sus antiguos mercados uno a uno. Incluso el mercado inglés ya no está abierto incondicionalmente a los productos argentinos: Inglaterra se ve forzada a satisfacer las demandas de sus dominios, competidores de la Argentina. Se había terminado la vieja amistad con Inglaterra; amistad fundada, desde luego, en los intereses comunes. La ganadería y la agricultura se ven seriamente comprometidas y tienen que recurrir al apoyo y protección del Estado. La Argentina, confiada y optimista, se encuentra así, por primera vez, con circunstancias adversas.

Las fuerzas conservadoras que se hicieron cargo del poder, después de 1930, iniciaron necesariamente un lento proceso de liquidación. En sus procedimientos políticos no parecían haber aprendido nada, pero se vieron forzadas por las circunstancias a crear un nuevo aparato administrativo, a perfeccionar la organización del Estado y a modernizar su estructura financiera. En el afán de salvar los intereses de las clases terratenientes—que habían acabado por ser los intereses del país—recurrieron a la única panacea: la economía dirigida. Arrojando por la ventana las doctrinas del liberalismo económico, de que tan celosos partidarios habían sido hasta entonces, los conservadores empezaron a levantar barreras aduaneras, a firmar convenios bilaterales, a limitar la producción o a regularla, a establecer nuevos impuestos, a ejercer un riguroso control de cambios y a desvalorizar la moneda. La política inflacionista aseguraba la fácil

colocación, a menor precio, de los productos argentinos y servía para limitar la importaciones inútiles. Hasta 1930 la Argentina había sufrido un fuerte drenaje de su riqueza, comprando artículos de consumo muchas veces superfluos o pagando los gastos de los argentinos adinerados que hacían turismo en Europa. La nueva política protectora sirvió, desde luego, para impedir el derrumbe, pero era de todos modos una política de derrota. Y de derrota, en primer término, para los intereses que así querían protegerse. Porque la inflación iba a beneficiar principalmente a un nuevo grupo económico que avanza, desde èntonces, a un primer plano: el grupo de los industriales.

La industria se reduce, en los comienzos, a la elaboración de las materias alimenticias. Todavía hoy la industria de la alimentación ocupa un sitio de preferencia. Pero desde la primera guerra mundial la industria crece y se diversifica y empieza a producir toda clase de artículos de consumo, impulsada unas veces por grandes capitales y otras por pequeños productores. La gran expansión industrial, sin embargo, data de 1935. La industria se ve favorecida, primero por la inflación y el proteccionismo; luego, por el estallido de la segunda guerra mundial. En menos de diez años se triplica el número de obreros empleados y el monto de los productos elaborados. Y hoy puede decirse que cerca del setenta por ciento de los artículos que se consumen en la Argentina son producidos en el propio país. Y hay, además, una activa exportación.

El desenlace era previsible: los intereses de la ganadería y la agricultura, por un lado, y los de las industria, por otro, que se soportaron mutuamente durante años, habían de entrar en colisión. El país asiste desde 1943 a una guerra de intereses. Los industriales temen perder el terreno ganado durante la guerra. Los ganaderos, aunque intactos en su poder económico, ven debilitarse sus posibilidades en la medida en que se debilita la economía inglesa, a la que la Argentina sigue ligada por su comercio. Los agricultores, que nunca lograron influir decisivamente en el gobierno, son las verdaderas víctimas de esta puja: con las grandes utilidades que temporariamente produce la agricultura en el mundo hambreado de posguerra, los industriales, dueños del poder político y de los controles económicos, quieren resolver la batalla a su favor.

Este gran conflicto económico en el que la Argentina está jugando su porvenir—al menos su porvenir inmediato—, no encontró cauces políticos adecuados por donde canalizarse. El descrédito y la desorientación de los partidos políticos tradicionales; el desconcierto, la cobardía y la inseguridad de la clase media de los comerciantes y profesionales; la inexperiencia de las masas obreras, engrosadas últimamente por miles y miles de hombres venidos del campo o de las provincias más pobres del país; el fuego cruzado de las ideolgías importadas y el ejemplo cínico de los fascismos que tanto influjo ha tenido desde 1930; los intereses particularizadores del ejército y del clero; todos esos factores, han contribuído a obscurecer el panorama y a impedir un planteo claro de la situación. Por otra parte, el país vive hoy una nueva irrupción tumultuosa de hombres y de grupos semejante a la que conoció en 1916 con el triunfo de Yrigoyen.

Perspectivas futuras.

Pareciera que la Argentina se ha lanzado irrefrenablemente a una política de industrialización radical. En ese interés coinciden los industriales, que van detrás de su negocio; el ejército, que siente la necesidad de una industria vigorosa, y las masas obreras, entusiasmadas con nuevos y mayores salarios y cuyos intereses difieren cada vez más de los de la pequeña burguesía.

En la industrialización ven muchos argentinos la posibilidad de realizar el mito de una nación grande y poderosa. Mito creado e impulsado por la prédica de Sarmiento y que ha penetrado muy hondo en el corazón de los argentinos. Mito que parecía desvanecerse entre las brumas del desencanto y la frustración en los años que siguieron a 1930. Pero ¿ hasta dónde esta perspectiva constituye una verdadera salida o hasta dónde es una nueva ilusión? ¿ Hasta dónde la Argentina, sin riqueza mineral apreciable, sin combustibles suficientes, sin un gran mercado interno y sin mercados exteriores abiertos o fáciles de conquistar, puede acometer la empresa? ¿ Hasta dónde la política hoy dominante es la iniciación de una nueva etapa o un movimiento de los industriales destinado a defender sus intereses de una posible depresión de posguerra? Los hechos lo dirán.

Yo creo que la industrialización del país es una etapa necesaria. Más aún, indispensable. Pero una etapa que reclamará mucho esfuerzo, mucha cautela, mucha inteligencia. Hay elementos para hacerla: mano de obra capacitada, abundancia de materias primas, energía hidráulica aprovechable. Pero no es posible precipitar los hechos, ni apresurar la historia. Es un proceso que demanda tiempo y que no puede hacerse unilateralmente sacrificando las que han sido hasta ahora sus fuentes primarias de riqueza. El país ha avanzado demasiado en un sentido, hasta tocar los límites de sus posibilidades, para que pueda lanzarse ahora, por entero y sin reparos, en la dirección opuesta.

En medio de una nueva ola de prosperidad e inflación, son pocos los argentinos que llegan a comprender la gravedad del momento. La Argentina ha saido de la última guerra sin deudas exteriores y está hoy en condiciones de absorber una buena parte de las inversiones de capital extranjero. Lo ha hecho ya en el caso de los ferrocarriles y los teléfonos. Es dueña de su crédito, tiene un mayor control sobre su economía, posee una buena flota mercante. Pero, por otro lado, la Argentina sigue vinculada a la economía europea y, sobre todo, a la economía inglesa. Inglaterra no es, desde luego, el único mercado para las carnes argentinas, pero Inglaterra posee la casi totalidad de la flota frigorífica del mundo y por ese medio sigue teniendo el monopolio de la ganadería argentina. Un colapso serio de la economía inglesa y europea, significaría, por eso, para la Argentina, una catástrofe sin precedentes.

Esta es la situación crítica de la Argentina de hoy: no puede continuar en su vieja línea, pero le será difícil avanzar sobre una línea diferente. Y cualquier política que se siga tendrá que aplicarse, fundamentalmente, a resolver los desequilibrios históricos en que hasta ahora ha vivido.

Distribuir mejor su población, lo que no ha de lograrse sólo por una descentralización de las industrias, sino también por una política agraria de nuevo cuño. Lograr un equilibrio de los distintos factores de la producción y una más justa distribución de la riqueza entre todos sus habitantes. Apresurar el proceso de maduración social y renovar, impulsándolo, su sistema educativo. Y nada se alcanzará si, al mismo tiempo, no se fortalece la estructura democrática del país y si no se busca, fuera de las fronteras nacionales, una colaboración sincera y efectiva con las demás naciones de América.

He insistido sobre los aspectos negativos del problema, pero no soy pesimista. No hay motivos serios para serlo: los argentinos constituyen un pueblo inquieto, inteligente y ambicioso, con un territorio de recursos muy diversificados, con un fuerte sentido nacional. Y, por el momento—a pesar de todas las apariencias—, no hay un sector de la vida nacional que pueda por sí solo torcer, en su beneficio, el destino del país. No participo del sentido providencialista de que están poseídos la mayoría de mis compatriotas. El destino de un pueblo depende de su inteligencia, de su voluntad y de su trabajo. Y también—en no menor medida—de las circunstancias. Pero, como argentino, al fin, tengo sí la secreta esperanza de que Dios sea efectivamente criollo.

ARGENTINA AND THE DREAM OF SOUTHERN UNION

OLIVE HOLMES

Research Associate, Foreign Policy Association, Inc.

Two currents have swept the course of Argentina's relations with its neighbors at different moments in the nation's history—one impelling the great pampa state to associate itself more closely with them in an insular existence and the other drawing Argentina toward the outside world and disassociating it from the other nations in the southern part of the continent. These currents are almost as apparent as the Atlantic tides that sweep the Plata estuary. Indeed, that body of water has itself signified in one period a means of entrance into the region and in another period a means of egress from it and from a closer relationship with the other riparian countries. Argentina's location, resources, and economic and social organization have given that country an initial ascendancy over its neighbors. Today the nationalist government is actively utilizing its position in southern South America to bring about, by a variety of measures, closer economic relations among the countries of the Plata River. But to what purpose? Does the region constitute a potentially balanced, self-sufficient economic unit? Would economic integration under Argentine auspices produce an increase in national income and improvement in living standards for the region as a whole? Or does the Perón government contemplate the subordination of the neighboring economies, through an aggressive trade and financial drive, to the national power aims of Argentina, in much the same fashion as Nazi Germany attempted to direct the economies of southeastern Europe?

These questions are not intended to suggest that greater trade, planning, and development on a regional scale in southern South America would be unwelcome. On the contrary, any action to integrate the economies of the countries which have access to the Plata River system would be beneficial—if directed by the desire to effect a more economic allocation of resources and a higher degree of specialization within the area. Together these countries present some diversity of resources, thus meeting an essential requirement for regional economic union. Chile, although not a part of the natural domain of the Plata, has been a party to discussions looking toward unification because of its mineral wealth and Pacific ports. Even with Chile and, possibly at a later stage, Peru included, however, it may be questioned whether the region has raw materials sufficient in quality and quantity to furnish the desired industrial base or the combined purchasing power to sustain new regional industries. It is also speculative whether confirmed habits of production and old commercial associations with the outside world can be modified to permit preferential economic relations among these countries.

Thus far, fear of the immediate hardships that would almost certainly result from the dislocation of enterprise has outweighed considerations

of the remote advantages deriving from greater free trade in southern South America. During the Empire, Spanish policy prohibited trade between the colonies, and geography abetted policy. By the time these countries had achieved independence, they were conditioned to commercial isolation. Export industries geared to the needs of overseas powers and highly protected local industries made their appearence. Local producers' and exporters' associations vociferously opposed any change in the prevailing economic pattern that might have promoted greater intra-Latin-American trade. Before the war, the aggregate exports of the Plata River countries to each other did not reach ten per cent of their total sales abroad.

Yet in the past ten years interest in closer economic association has grown. It was fostered by ambitious development planning in Argentina and Chile. The difficult and uncertain war years encouraged those who advocated a defensive economic alliance in southern South America. These countries made the practical discovery then that they could meet some of their requirements for raw materials and manufactured goods within the area itself. Allied purchasing programs furnished means of payment for the "economic liberation" from the great powers of which the nationalists dreamed and toward which regional economic union might make an important contribution. From merely theorizing, its advocates moved to action. It is the purpose of this paper to trace the development of the dream of "Southern Union" in Argentina, with special emphasis on the years since 1943, when there appeared to coincide, opportunely, the will and the way to make it come true.

I

In the southeastern part of the continent the Plata River system is the dominating landmark, and the Plata River countries would constitute the nucleus of the projected "Southern Union." The estuary and its three tributaries, the Uruguay, the Paraná, and the Paraguay rivers, reach long fingers far up into the interior and bathe one of the most fertile regions of the world. It is the natural outlet for the commerce of Argentina, Uruguay, interior southern Brazil, Paraguay, and eastern Bolivia, and the natural nexus of communications in those areas. It is literally a lifeline for landlocked Paraguay and Bolivia. The river front is the center of Paraguayan life. For Bolivia, its high-grade tin ores near exhaustion, an economic outlet for the oil and other products of its tropical lowlands has become a matter of life or death. Access to the sea is also important for the development of the interior of the three southernmost Brazilian states—Paraná, Santa Catarina, and Rio Grande do Sul—and for the Argentine territory of Misiones. These areas, like eastern Paraguay, have pockets of good soil, hardwood stands, iron, magnesium, and an incalculable source of hydroelectric power at Iguazú.

Buenos Aires, "South America's proudest jewel," commands this gateway from the world overseas to the interior and its energy, mineral, and tropical resources. "Never was the destiny of a great city so heavily

insured by the privileges of geography as that of the Argentine metropolis," writes John Crow. And Argentines consider the Plata Basin theirs by natural right; *"es nuestra cuenca,"* the late Foreign Minister Carlos Saavedra Lamas is reported to have said in the course of the Chaco settlement. But the peoples of the other riparian countries do not readily accept Argentina's self-appointed task of leadership in the area. Brazil has always contested it, and today Argentina's economic drive northward meets Brazil's "westward movement" head-on along the Plata. Under stress of this rivalry, Paraguay, Bolivia, and Uruguay have developed the typical psychology of buffer states, gravitating now toward Buenos Aires and now toward Rio de Janeiro.

There are there distinct periods in the history of Argentina's relations with its neighbors: the period of conquest and consolidation, when the new colony was oriented entirely toward the interior; the era of development that began some time after the middle of the nineteenth century, when Buenos Aires turned its back on the interior; and the period after World War I, when the economic relationship between Europe and the Argentine *Litoral* began to decline. Almost from the beginning, the ebb and flow of regionalism in southern South America depended upon relations between the various regions within Argentina itself and, in turn, upon Argentina's relations with the outside world.

Justification for the current resurgence of interest in the political and economic integration of the southernmost countries of America is to be found, according to its advocates, in the colonial experience. It is recalled that the early penetration of the region occurred along the rivers and that the first permanent settlement was established in Paraguay. When Buenos Aires was finally resettled, it was by colonists moving downriver from Asunción and Santa Fé. At right angles to this north-south migration, meanwhile, other groups of people were coming over the mountains from upper Peru and Chile. By the date of Buenos Aires' founding, the interior settlements of Santiago del Estero, San Juan and Mendoza, Tucumán and Córdoba were already established, and trade with the parent colonies was in swing. The Humid Pampa, fount of the *Litoral's* future prosperity, was still the frontier.

During the early colonial period, the settlements of the Argentine west and northwest dominated the new colony. Buenos Aires' dissatisfaction with its position at the tail end of the overland trade route to Peru and Panama led to widespread evasion of the Spanish trade and shipping monopoly. The coastal settlement initiated a thriving contraband trade with Dutch and British merchants which ultimately overwhelmed the legitimate market. Smuggling laid the foundation for Argentina's lucrative economic association with Europe but, at the same time, furnished historical precedent for free trade within the area.

As Buenos Aires flourished, the center of population moved toward the coast from the interior. This, and the fact that 74 per cent of the people of this agricultural nation are urban dwellers, Carl Taylor has described as the most unusual features of Argentine population development. In

1776 Spain elevated the Audiencia of Buenos Aires to the status of a viceroyalty and placed within its jurisdiction Bolivia, Paraguay, and the Andean province of Cuyo (formerly governed by the captaincy general of Chile). A year later the Banda Oriental, present-day Uruguay, was added by conquest. "For once," according to John Crow, "Spain followed sensible geo-politics." Creation of the new viceroyalty constituted recognition of the fact that these regions formed natural parts of the same physical and economic domain and of the waxing importance of Buenos Aires. By the same token, however, it was evidence of the waning of interests that had previously united the settlements along the interior trade routes running up through the northwest. From this time forward, the *porteños* of Buenos Aires, who assumed leadership in the gathering struggle for independence, were to give the nascent nation an altogether different economic emphasis. Today, if the nationalists' dream of restoring the viceroyalty is to become actuality, its economic foundations must be laid again.

The viceroyalty of La Plata fell apart during the wars of independence. In what is now Argentina proper, a bitter conflict between the forces of the interior and the *Litoral* was unleashed which was to continue thirty years. It is an ironic sidelight on history that Rosas, hero of the nationalist movement, helped to set back the cause of Argentine nationalism by permitting the entrance of barbed wire in 1845. The fencing in of the pampa marked the decline of the old *criollo* Argentina and the beginning of a new Argentina built upon the development of the fertile pampa by British capital. This mutually profitable association was to turn Argentina inside out, to give Buenos Aires hegemony over the interior provinces, and to orient them toward the outside world. In return Buenos Aires gave protection to the industries of the interior: Mendoza's viniculture, Tucumán's sugar, Santiago del Estero's cotton, and Misiones' *yerba mate*. The price, from the standpoint of the wealthy port city, was not high. But in giving a competitive position to these marginal industries, it created a difficult obstacles to fulfillment of the nationalist dream of the eventual reconstitution of the viceroyalty.

The decade of the 1880's marked the consolidation of the port city's power and the inauguration of the era of national expansion under the enlightened oligarchy. But that decade was also significant for another reason which is germane to this story. It was in those years that immigrants began to reach Argentina, pouring in by the hundreds of thousands each year, bringing with them a spirit of drive and enterprise hitherto foreign to the Argentine climate. José Luis Romero, a young Argentine historian, sets 1880 as the end of the liberal era, then apparently just approaching its zenith, and the beginning of what he terms "Alluvial Argentina," the Argentina of the immigrants. It is another paradox of history that the great administrations of the period, by opening the sluice gates to immigration, should let in the tide that was ultimately to engulf them, their class, and much for which they stood. For the new Argentines, who became the nucleus of the rising industrial class, as Ysabel Rennie

points out, there was no place in the policies of Argentine conservatism. Thus at the very moment when the future of the enlightened oligarchy seemed most assured, the elements were being formed that were to undermine and destroy it. From the new industrialists of immigrant origins Argentine nationalism and the concept of "Greater Argentina" was to draw some of its strongest supporters.

II

The cornerstone of the Greater Argentina idea is the Southern Union: the project of economic and, eventually, political union of the Plata River countries and Chile under Argentine leadership. The clarion call, *La Grande Argentina,* is attributed to the poet, Leopoldo Lugones, who wrote a book with that title in 1930. Argentine nationalism is older; but it was the world economic crisis of 1929 which revealed the bankruptcy of the once happy collaboration between the Argentine beefsteak and the British dinner table that really gave the nationalists their opportunity. The University of Buenos Aires, the Institute of Catholic Culture, and the Argentine Industrial Union became some the principal meeting places of Argentine nationalist-minded intellectuals, economists, and engineers, who expressed their ideas in such influential publications as *Nueva Política, Sol y Luna* and the *Revista de Economía Argentina.* The editor of that review, Alejandro Bunge, whose talents as a pamphleteer were perhaps more remarkable than his abilities as an economist, was the first to give economic content to the nationalist dream. Bunge profoundly influenced the ideas of a circle of young students who after 1943 were to assume important positions in the nationalist government.

The essence of the nationalist dream is that Argentina has a high mission among the nations and that it must go forward to meet destiny in the old Spanish tradition, with the cross held aloft in one hand and the sword in the other. It is an affirmation of the "old Spanish-creole trunk" and the *criollo* virtues that Alberto Baldrich, Minister of Education in the nationalist government, defined as the "Christian and heroic conception of living." It is a rejection of Argentine constitutional liberalism which exaggerated the "foreign vogue," Lugones said, and under which "the nation started to become something alien to its nature." It has very little room for the foreigner, unless he is of Mediterranean stirps, and none for the Jew or the person of mixed race. That Argentina is "white," in fact, enhances its mission of leadership in the surrounding countries, but the principal scapegoat is foreign monopoly capital which the enlightened oligarchy had admitted to the country. The "all-embracing rule of British capital," disguised under the hated liberal concept of the international division of labor, has been responsible for all Argentina's ills, according to the nationalists. It has kept the nation poor, divided internally, its native industry at the mercy of "el dumping," its agricultural exports vulnerable to the vagaries of the world market, and its allegedly vast mineral wealth unexploited, even unexplored. The domination of the

Argentine economy and body politic by foreign capital has, in short, prevented the fulfillment of the nation's destiny.

The nationalists desired the "reincorporation" of the old viceroyalty of La Plata as a geographic, political, and economic entity. Access to the tropical and mineral resources and the markets of neighboring countries was essential to the creation of heavy industry at home. In public the nationalists talked a great deal about the mineral wealth hidden away in the Andes, but it is hardly conceivable that they believed all they said. The diversity of their resources has placed the countries of South America in a position superior to that of Europe, which must look to its colonies or to the United States, which lacks a contiguous tropical zone, according to Alejandro Bunge. "Not only is the problem of iron ore and fuel definitely resolved by this 'Union' for the countries forming it . . . but the 'Union' places the group in a preponderant position in relation to the rest of the world, with a real monopoly of certain raw materials essential to the world economy," *e.g.*, nitrates, flaxseed, tin, and so forth. In addition, Argentine industry would need the markets that union with these countries would afford. In this connection Argentine industrialists were painfully aware of the competitive advantage that Brazilian industry, with a more rapidly growing population and a larger potential market, had over their own. Finally, the nationalists believed that a "Union of the South" would create a self-sufficient economic block and a new power in the world. "It is evident that new economic powers will come in to form part of the world of the 'great nations,'" Bunge said in Chicago in 1922. "Those states which combine the following conditions will achieve this destiny: an extensive territory with riches in its soil and subsoil, a white race, and a food supply of meat and wheat. . . . The far south of America fully combines the conditions requisite to forming one of the great unions of the near future; and the rapidity of its progress and economic development already manifest its destiny."

A preferential customs union was to be the initial tool for forging the "Union of the South." Proposals for tariff reciprocity between pairs or a group of countries have long been seriously advanced in this region, particularly in Chile and Argentina. In 1910 Ricardo Pillado, then director of the Division of Commerce and Industry in the Argentine Ministry of Agriculture, wrote a book entitled *A Study of Argentine Trade with Border Nations,* in which he advocated free trade among the Plata River countries and Chile. Bunge first gave publicity to the idea in a lecture in Mannheim. His own ideas subsequently underwent some modification; in *A New Argentina,* published in 1940, he suggested the inclusion of Brazil in the customs union. Essentially, the core of his project was to induce all the countries of the area to adjust tariffs to a uniform scale which should be based on the highest duties prevailing in any one of the participating countries for any and each commodity; to make duties on articles of trade passing between these countries uniform and subject to progressive reduction until in four years they have been entirely abolished; and to negotiate special terms in the cases of competitive

commodities, such as wines and textiles. By 1940 Bunge conceded that, if it should prove difficult to realize these arrangements among the five countries simultaneously, the customs union might be achieved by stages through bilateral pacts. Apparently recognizing that the free interchange of currencies of the member-countries was essential to the successful functioning of the union, Bunge also proposed currency unification for the area.

Three principal objections have been raised to projects of this nature. Opponents of a customs union pointed out that adoption of special preferences would constitute a violation of obligations assumed toward third countries, outside the projected free trade area, under the most-favored-nation clause. This, in turn, might expose their export trade with Britain and other European countries to retaliatory treatment. Argentina's sales of raw materials abroad furnished the backbone of the economy. Should they be jeopardized in order to gain an uncertain and, at best, limited access to their neighbor's market? In a lecture in Buenos Aires in 1942, Federico Pinedo, former Argentine Minister of Finance, asserted that the trend toward a progressive fusion of the economies was "modest" but could be encouraged if "our regional understanding can be harmonized with the interests of the powers or groups of powers with which our peoples today have, and probably will continue to have for some time, stronger economic ties than exist among ourselves." Pointing out the fact that the trade of Argentina's neighbors was oriented more toward the United States than toward Europe—in contrast to Argentina's situation, he continued, "In any case, an economic union between some or many South American countries, to be productive, must aim for the elimination of trade barriers which separate us rather than for the exclusion of extra-continental interests." Pinedo acknowledged that transitory arrangements for preferential treatment might be acceptable but held that the southern countries should work toward internal free trade rather than a customs union in which an outer high tariff wall was essential.

Fear of reprisals against the overseas commerce of the region did not, however, deter advocates of preferential trade. Bunge advanced as a supporting argument the thesis that exceptions to the application of the most-favored-nation principle in agreements between countries with a common border were generally understood and accepted. Chile has traditionally maintained, in theory, its right to grant special preferences to border countries. As a matter of fact, several commercial pacts negotiated between Chile and Argentina and between Argentina and Brazil in the thirties contained preferential features, and, as Dr. Henry Chalmers has pointed out, these concessions were so specialized that the disadvantage to third countries was probably negligible.

Another argument frequently marshaled against customs union proposals was that an important source of revenue would be lost to the government if customs duties on articles passing between the countries participating in the union should be eliminated. Proponents of the idea made short shrift of this contention, pointing out that, in Argentina, for

example, collections at the *aduanas* of Salta, Mendoza, and other entry-points, were in some cases insufficient to cover the cost of maintaining services. "The insignificance of actual commerce between these countries, compared with their total foreign trade," Bunge wrote in 1940, "demonstrates that few obstacles would be raised to a customs union in this area, since it would not seriously prejudice the economy or customs revenue of any country."

This line of reasoning, however, did not meet a third and more cogent objection raised by his opponents—one which eventually defeated all attempts to bring the scheme to fruition—namely, that letting down the bars to competitive products from neighbor nations would destroy marginal home industries which had grown up under tariff protection and would be unable to exist without it. Advocates of the customs union project never squarely faced this problem; in fact, their studies of the subject betray many contradictions. In order to make any progress whatever toward the goal, it would seem that adjustments would have to be made by all the prospective member states, possibly involving withdrawal of governmental protection or subsidies to industries that were plainly uneconomic. Argentine economists frequently made the assertion that because Argentina had more to gain from an economic alliance than any of the other four or five countries that might become members of the union, it should be prepared to make the major sacrifices. They complained that "the interests" in the interior were stupidly blind to the economic advantage that would accrue to their region merely from the free passage of goods of other nations in transit. But, as a general rule, they were unable to say how the government's elaborate price-support program for such commodities as wine, cotton, and *mate* should be harmonized with their proposals for free trade. On the other hand, one finds Bunge, on a trip to the north in 1926, calling for a tariff barrier against all products which can be produced in those remote regions, notably vegetable oil, *mate,* rice, tobacco, fruit, cotton, etc., and demanding a guaranteed market for them. Indeed, from a perusal of the Argentine pamphlet literature of the twenties and thirties on this subject, Chilean, Paraguayan, and Uruguayan competitors might have taken the same lugubrious view of Argentine proposals that Annie voiced in the musical comedy, "Oklahoma!"—that "With you it's all or nothing: all for you and nothing for me."

III

The war, however, gave considerable impetus to plans for economic rapprochement in southern South America. A striking object lesson was provided then, as never before, of the hazards likely to befall an economy which derived its prosperity largely from exports. Before the disaster that overtook these countries when the submarine blockade closed down on the coast, and their traditional overseas markets were cut off, the common impulse was to draw closer together. Secondly, as the war continued, it placed more purchasing power in Latin-American hands, promoted new plants producing articles hitherto acquired abroad, and

weakened financial and commercial ties overseas. Economic nationalism grew apace in Latin America during the war years.

In the second half of the year 1940, Argentina's exports, which had been running at an annual rate of 1.8 billion pesos in the first six months, fell to 500 million pesos. Unsalable surpluses of grains accumulated, wages declined, purchasing power fell still further as a result of depreciation, and 180,000 workers became totally unemployed. The idea began to gain currency that a high level of exports was not absolutely essential to economic well-being, provided the nation's economic base could be enlarged and its untapped resources put to work. This concept found expression in the Plan of Economic Reactivation submitted by Finance Minister Pinedo to the Argentine Congress in November, 1940. Earlier proposals for an economic merger of the Plata River countries would have become a corollary foreign program to this comprehensive development project. But the Pinedo Plan proved unacceptable to almost all political groupings; its protectionist and financing features found favor with none except the industrialists. A genuine precursor of the Five Year Plan, it had to await a more favorable political climate. Other schemes intended to adjust the economy to its enforced isolation were even more "visionary." One of the García Mate brothers, for example, proposed a stock-piling program whereby Argentina would agree to take specific quantities of Brazil's iron ore and Chile's copper, coal, and nitrates in payment for Argentine shipments of meat and cereals to those countries. This project, according to its author, would have had all the advantages of supporting Argentine prices, providing means of payment to countries which suffer a chronic import surplus with Argentina, furnishing "artificial mines" to the nation, and equipping its armed forces in the degree necessary to defend Argentina's sovereignty.

Although this particular proposal died on paper, positive steps toward regional integration were, nevertheless, taken in the early years of the war. The Argentine government in 1940 secured agreements with Chile and Uruguay, respectively, to investigate the possibilities of establishing a limited customs union. In the same year, a trade agreement was negotiated with Brazil which would have provided a ten-year tariff holiday on products of new Brazilian and Argentine industries if it actually had been put into practice. But nothing came of these much-publicized arrangements.

At the instance of Bolivia and Paraguay, a conference of the Plata River countries was convoked in 1941. Its agenda included a study of common problems raised by the war and South-American neutrality, a program of tariff reductions, and establishment of a customs union. Chile, Peru, and the United States had observers at the sessions, and the Uruguayan Foreign Minister, Alberto Guani, took special pains to say in his keynote address that, "the Conference, although regional, is in no sense isolationist." The First Rio de la Plata Economic Conference achieved few tangible results. The participants agreed to give Bolivia and Paraguay preferential treatment with respect to their trade and shipments in transit (including

transportation of oil by existing or new pipelines), because the geographical location imposed serious handicaps upon them. On the customs union question, however, nothing more concrete was achieved than a vaguely-worded resolution to study the possibility of concluding a regional customs union and of concerting identical agreements with other bordering countries (presumably Chile and Peru). In accord with the gradualistic strategy advocated by Bunge, Argentina wanted the conference to recommend the conclusion of separate bilateral pacts, while Brazil—possibly in order to block the entire proceedings—argued for a single regional instrument. At the time, the conference was chiefly newsworthy because of a wrangle that developed between Brazil, Uruguay, and Argentina over control of the fortified Argentine island of Martín García, which commands the juncture of the Paraná and Uruguay rivers. Yet it represented what we must believe was a sincere attempt to meet common problems on a region-wide rather than a sectional basis.

At the end of the same year, the United States went into war, and most of the Latin-American countries quickly associated themselves with the Allies. That Argentina refused to abandon its classic neutrality was to have profound effects on the balance of power and subsequent political developments in South America. The Castillo government was ineligible for lend-lease and other military expenditures and received nothing, while Brazil—historic rival of Argentine nationalists—took 72 per cent of all lend-lease shipments through 1947, valued at more than $350 million. Moreover, the United States war effort spurred numerous projects, ranging from communications to cultural exchange, in co-operating Latin-American countries. The free spending of the Colossus of the North had the cumulative effect of weakening prospects of economic alliance in a Union of the South. When, after 1942, Argentina went into eclipse, its satellites, Paraguay and Bolivia, gravitated toward the sun of United States favor that now shone on Brazil. How influential considerations of power politics were in opening the new chapter of Argentine nationalism under Perón is not yet wholly clear. It seems now to have been one of the guiding factors in the revolution of June 4, 1943.

IV

The nationalist philosophy already dominated certain areas of policy in this period, however, and the June 4 revolution merely confirmed and assured it. One of these areas was the policy of Southern Union. This the new "colonels' government" took over and recast along more aggressive lines than had been the case under the previous civilian administration. For the first time the dream of merging the economic interests of the southermost countries of Latin America was brought into focus and made to relate to the internal requirements of the Argentine economy, as then conceived. Argentine foreign economic policy became one arm of the all-inclusive program of economic development that took shape in a rapid-fire succession of official statements, decrees, and legislation after mid-1943. Undoubtedly, the experience of the war years, when the economy

almost rolled to a stop for lack of essential raw materials and industrial equipment, was now reflected in the intensified efforts to redirect Argentine trade to friendly neighbor nations and to gain access to "safe" sources of raw materials. But official statements and acts seemed less inspired by defensive than by aggressive intentions. Was it only wounded Argentine *dignidad* that made Perón's utterances and those of other men in high places sound so bellicose?

The contents of a secret memorandum allegedly circulated among Argentine army officers just before the June 4 coup bear repeating in this connection, although they are now well known. The message, which has never been denied, read in part:

> In the northern part of America, the role of the leading country will fall to the United States for a certain time. In South America it is our mission to make the leadership of Argentina not only possible but indisputable. Once we have won power, it will be our mission to be strong, stronger than the other countries together. Alliances will be the next step. Paraguay is already with us. We will get Bolivia and Chile. Together and united with these countries, it will be easy for us to exert pressure on Uruguay. These five nations will then easily attract Brazil, due to its type of government and to its important group of Germans. Once Brazil has fallen, the continent of South America will be ours.

In a speech delivered just a year later, when the Chair of National Defense was inaugurated at the University of La Plata, Perón, then Minister of War, divulged a similar philosophy. He described war as an "inevitable social phenomenon" and predicted that the war, then in its final stages, would be followed by another between the victorious Allies. Whichever way victory went, he said, Argentina would prosecute its legitimate aspirations through vigorous diplomacy backed by military might and a totalitarian government with authority over every phase of national life. "All the inhabitants, all their energies, all their wealth, all their industries and production, all their means of transport and communication" must feed into "that great whole which is the nation in arms," Perón declared.

This was the "new sense of heroism" with which the nationalists endowed Argentine life. It remained to spell out the details of the reorganization of defense, industry, trade, education, culture, and so forth. In a speech before the Argentine Industrial Union in 1944 which attracted wide notice, the new Director-General of Industries, Lieutenant-Colonel Mariano Abarca, declared that more than an efficient army and navy were necessary to maintain a free and sovereign nation, if the armed forces were not to weigh like a suit of mail on a body unable to carry it. The country, he said, must be made economically strong. Anticipating the formation of a regional bloc, self-sufficient within its "economic space," Abarca went on to say that "Buenos Aires, with its entirely white European population, constitutes a cultural center which gives the country the category of the guiding brain and focus of high political and economic potential within the South American group."

The Five Year Plan looks toward Argentina's economically weak neighbors for support. This grandiose, $1.5 billion catalogue of projects to develop power resources, construct public works and transportation net-

works, foster immigration, and promote a wide range of domestic industries, has one essential purpose: to make Argentina more self-sufficient. A reading of the *Plan de Gobierno, 1947–1951*, submitted to the Argentine Congress in 1946, makes it clear that the present administration wishes to retain the present character of the economy but reduce its dependence on imported raw materials and semi-finished materials, thus "saving" the earnings from its sales abroad for purchases of essential equipment which can not be duplicated at home. The co-operation of neighbor countries is figuratively written into the Five Year Plan. It must have assurance of a diversity of raw materials close at hand—materials which Argentina does not possess and which, like copper, may still be in short supply—and it must have these materials on favorable payment terms. The plan requires development of "supplementary industries" in these countries. As Miguel Miranda, head of the National Economic Council said, "we are interested in developing Chilean industries whose production Argentina needs." One of the plan's single most important items, the Salto Grande power development (which alone would meet one-half of the 1951 target for hydraulic power expansion) is a joint Uruguayan-Argentine project, with Uruguay meeting twenty to twenty-five per cent of the construction costs. Finally, the Argentine program contemplates winning an outlet for Argentine goods through the removal of customs barriers and establishment of free ports. A decree-law of August 15, 1945, defining the industries of "national interest" which the important decree-law of June 5, 1944, had established, stated that, for the purposes of the law, countries which give preferential treatment to the products of Argentine industry are to be considered part of the internal market.

In the closing year of the war, conditions at home and abroad alike were favorable to the realization of nationalist policies. The 1944 harvest had been a good one. Argentina's European trade partners were back again in the market, and exports stood at record levels in 1945, with the probability that generous United States relief to the war-stricken areas would enable Europe to continue its purchases from Argentina for some years to come and to pay in dollars. The bank accounts which the country had built up during the war amounted to almost $1.5 billion, more than a quarter of all Latin-American exchange holdings at the end of the conflict. Three-fourths of Argentina's reserves were in gold; all the vaults of Buenos Aires could not contain the nation's gold, Perón boasted. And although most of its foreign exchange was held in block sterling, rather than dollars, this could be turned to advantage by liquidating British-owned investments, such as the railways. The accumulated purchasing power would enable the country to modernize and equip its industries, to buy ships, planes, construction equipment, machine tools, oil-drilling equipment, turbines, and the like, and thus emancipate itself from foreign capital. During the war, meanwhile, industry had burgeoned; establishments in the food processing, textile, machinery manufacturing, and chemical fields now contributed more to the formation of national income than did the traditional livestock and crop raising activities. Manufac-

tures were even assuming greater importance in Argentine exports and opening new channels of trade, particularly in other Latin-American countries.

That the immediate future of Argentina's neighbors looked as clouded as that of Argentina looked bright was another source of strength to the nation. The minerals-producing countries on the west coast and the tropical producers of the Plata anticipated a drastic decline in world demand for their exports, once former sources of supply in Europe and the Far East should be restored. These economic uncertainties furnished the principal motive, as far as Latin Americans were concerned, for the convoking of the Mexico City Conference on Problems of War and Peace in 1945. For political reasons, Argentina was not invited to the conference. Left outside in the cold, that nation's natural reaction was to redouble its efforts to wean neighboring countries away from co-operation with the United States and into an entente constituted *by* South Americans *for* South Americans. It might be added that the absence of a consistent policy toward Latin America on the part of the United States during the immediate postwar period forwarded the cause of Argentine policy. The smaller countries of the region had become accustomed to secure a relative degree of independence by counterposing the influence of the United States and Brazil against that of Argentina. During the period when Mr. Spruille Braden was Assistant Secretary of State in charge of Latin-American affairs, 1946–1947, Washington actively pursued a policy of combating Argentine economic penetration in southern South America. More recently, however, the preoccupation of the United States with European problems has left a vacuum in this part of the world which Argentine diplomacy has attempted to fill.

A definite pattern of bribery, armed threat, and economic coercion is ascertainable in the Perón government's policy toward Bolivia, Uruguay, Chile, and Brazil in the period from 1945 to 1947, with Buenos Aires using as leverage its reserves of money and food to swing national elections in certain countries and to secure a favorable audition for its commercial and financial proposals. Only in Bolivia and Paraguay has the procedure thus far proved really successful; in Uruguay the pro-Argentine nationalists, under Senator Herrera, registered gains in the last elections, however; and in Chile ratification of the controversial trade and financial agreement with Argentina, regarded in many circles as a last-ditch measure, has been delayed and possibly averted altogether only because the Chilean application for help from the World Bank seemed at length likely to be granted.

The agreement which Argentina succeeded in inducing the Bolivian government to ratify, the as yet dormant agreement with Chile, and that proposed to the government of Peru have similar features. First, a limited customs union would be created. Goods and merchandise originating in one of the countries party to the agreement would enter the other country free of taxes and import duties and would receive there the same treatment as domestic products. Each signatory would have the right, however,

to list certain articles which would not be exempted from customs duties. Each country, moreover, would bind itself to give first call on its export surplus to the other, as well as preferential treatment as regards the quality, price, and terms of payment (including the type of currency in which payment is to be made).

Second, Argentina would set up an exchange fund from which the neighbor country could obtain Argentine pesos to meet the chronic deficit in its trade with the latter country. In the Chilean agreement the exchange loan would amount to $25 million (United States) and would run two years; the fund created for Bolivia is in the amount of $12.5 million and will run five years. It is held, however, that in practice the credit will not be drawn upon its full extent since Chilean and Bolivian exports to Argentina, which would be stimulated by other provisions of the agreement, would eventually fill this gap.

Third, another credit would be extended to develop existing or new enterprises based on local resources "and increase, in both cases, exportation to the Argentine Republic of products originating in Chile" or Bolivia. In Chile, Argentina is principally interested in copper, nitrates, iron, steel, coal, wood, and power, and would lend $75 million to start these commodities moving to Argentina; while the Bolivian agreement calls for development of tin, antimony, lead, copper, iron, and rubber at a cost of $25 million. A joint board, composed of three members from Argentina and three members from the other country, would direct the allocation of this fund and its decision would be taken by unanimous vote. Thus one Argentine vote could halt action on any project advocated by national members of the board as advancing the national interest. Moreover, Argentina would have preferential access to the production of these new enterprises once local consumption needs had been met.

Finally, these agreements provide for long-term loans for the development of communications with Argentina. In Chile $75 million would be spent to extend roads and railroads providing a Pacific coast outlet to Argentine agricultural commodities produced in the west-central and northern parts of the country and to assure these supplies to Chile as well. Both countries would benefit, it is claimed—Argentina from increased export receipts and Chile from greater freight receipts and tourist expenditures. In Bolivia, the $150 million loan would be spent in extending the long-projected Yacuiba-Santa Cruz railway in order to give Argentina access to the oil lands in that area. As in the case of the industrial development loans, the allocation of these funds would be governed by the unanimous vote of a mixed commission. A significant feature of the original Chilean agreement was the provision that machinery and equipment necessary for the implementation of the new industries and public works programs should be acquired in Argentina. A discriminatory as well as a highly unrealistic arrangement, it was later removed at Chilean insistence; and Argentina agreed instead to transfer or sell directly to Chile the foreign currency, pounds sterling or dollars, needed for purchases in third countries actually in a position to supply this equipment.

The controversial features of these treaties and of subsidiary agreements for the purchase of Chilean nitrates and Bolivian tin might be dwelt upon at length. A storm of protest was raised abroad over the numerous discriminatory arrangements, and this adverse publicity was not without its effect at home. For Chile, which at the time was also maneuvering for World Bank and United States Treasury loans, Washington's dismayed reaction when the terms of the agreement were made public, in December, 1946, was all that could have been desired. But local opposition was strong in its own right, and ratification became one of the most important continuing political issues of the period. Save for the Communists, all political groups (including dissident members of the government Radical party) were against ratification. Serious question was raised as to Argentina's ability to free foreign currencies for purchases of the necessary equipment, Chile's ability to repay the loans, the effect on Chile's trade with other countries, and so forth. Politically the proposed arrangements were viewed as opening the way to violations of the national sovereignty. In consequence, the treaty, although classified as urgent business by the Executive, was never ratified and has become a dead letter. The Chilean government was reported recently to have approached Argentina with an offer to put into effect certain portions of the original agreement, but the Perón administration remains firm in its intention to conclude the treaty in its entirety or not at all.

That the Bolivian agreement of March, 1947, on the other hand, was ratified almost without discussion and with comparative dispatch, must be understood in the light of that country's heavy dependence on Argentine foodstuffs—an advantage which Buenos Aires exploited to the hilt early in the course of negotiations with La Paz. In an editorial entitled, "Nailed to the Cross," in October, 1947, *El Diario* praised the resistance of Chile and Brazil to the "most imminent imperialism in Spanish America" and mournfully predicted that "while Argentine money will come slowly . . . Argentine commerce will advance rapidly and swamp Bolivia with its industrial products until it is absolute master of our market."

THE SOUTHERN REPUBLICS OF SOUTH AMERICA: A REGIONAL ECONOMY

WILLIAM L. SCHURZ

Director, Division of Latin-American Studies, American Institute for Foreign Trade, Thunderbird Field, Phoenix, Arizona

At no time in the history of the Latin-American republics have their national economies been in such a state of flux as they are at present. The disturbing repercussions on their economies of two world wars and the menace of another have invalidated most of the traditional bases of their economic life. The persistence of economic colonialism, whereby Latin America exported raw materials and imported manufactures, is no longer sound policy, when foreign markets and foreign sources of supply are interrupted for years or destroyed by war. Their overseas customers have been too impoverished to buy their staple products, and the factories that formerly supplied their wants either have been devastated by bombing or dismantled as reparation payments to the victors, or their output is required for the reconstruction of the countries in which they are located.

It is not only the direct effects of Europe's and Asia's chronic wars that so profoundly disturb the national economies of Latin America. Among other disrupting factors are: (1) the search for—or actual use of—substitute materials by manufacturers that threaten the future of industries like rubber, copper, sodium nitrate, linseed, and chicle; (2) the development of competitive sources of supply in Africa, Indonesia, and other parts of the world for the staple export products of Latin America; (3) the reorientation of trade channels that results from bilateral agreements between countries outside Latin America, or from the preference arrangements of the colonial powers, such as England made with the British dominions; and (4) the increasing intervention of the state in the conduct of foreign trade, a practice that automatically increases the advantage of the stronger country in bargaining with the weaker. The operation of these four factors has already done much to weaken the international trading position of the Latin-American republics and so, proportionately, of their home economies.

In view of all these circumstances, Latin America can no longer depend on what was once the normal pattern of its commercial interchange and the accepted foundation of its precarious economic life. The only areas with which there is a reasonable prospect for the continuance of something approaching normal trading relations are the United States, Canada, and the Union of South Africa. However, even in these relatively normal areas, some of the factors which I have enumerated above are working to divert the customary course of their foreign trade or to modify its general character to the further confusion of the Latin Americans.

Confronted with this disturbing picture, the Latin-American republics are now busily reorienting their economic life. If some of the expedients which they adopt seem economically ill-advised and unsound, at least their

motive is understandable. At the extreme are proposals of autarchy, or maximum self-sufficiency, that would require for their consummation the possession of a wide variety of raw materials, financial resources, technical skill, and domestic buying power—a combination which not even the best endowed of them have within their borders. The result of such an experiment might be a return to the primitive economy that Dr. Francia's isolationist policy enforced on Paraguay in the early part of the last century. In fact, the more backward and less fortunate of the republics are still little above that rustic level of evolution. The problems brought about by the two world wars and by the other unsettling forces that are loose in the economic world are of much less concern to them than they are to the more advanced countries which have a higher standard of living to protect. Products of the extreme political fragmentations of Latin America, they have too little to lose in the battle of the economies and are generally too impotent to defend what little they have, even if they should rouse themselves. Yet, like the small subsistence farmer in the mountains of our South, who can weather a depression much easier than the salaried city worker, they have at least the dubious satisfaction of being secure in their poverty.

The two most common measures of economic defense adopted by the more progressive republics are increased industrialization and an increase of trade between the Latin-American countries.

The first world war gave a strong impetus to the industrialization of Latin America; the movement continued, though generally at a reduced pace, between the wars and was greatly intensified by the late war. As a result, the process of industrialization has proceeded far in the larger countries, Argentina, Brazil, Chile, and Mexico, which are not only self-sufficient in many lines of consumer goods and even produce a sizeable surplus of some lines for export, but have undertaken the production of heavy goods, such as iron, steel, and chemicals. Also, such secondary countries as Colombia, Cuba, Peru, and Uruguay have embarked on ambitious programs of industrialization. Most of the other countries have not progressed beyond the soap, cigarette, and cotton goods stage of industrial evolution that marks the first steps towards a manufacturing economy.

A variety of motives was responsible for these industrialization programs. First, there was the natural desire for independence of uncertain and undependable sources of supply. A second consideration was the added national income that might be derived from the export of any manufactured surplus. Third, a reduction of heavy payments for imports would cut down the drain on the country's gold reserves and thus tend to stabilize the exchange value of the national economy. Particularly in Argentina, the creation of a national armaments industry has been an important consideration in the government's economic planning. The belief that higher standards of living for the mass of the people would follow industrialization has gained much support for the movement among liberal

leaders. Finally, there is a purely psychological factor—the idea that only manufacturing peoples are "free" peoples.

Some features of this industrialization movement violated whatever economic laws have survived into this age of business anarchy. Programs adopted sometimes bore little relation to the realities, such as availability of private finance capital, raw materials, and capacity of market. As a result, the consuming public often paid for excessive overhead in prices that had to carry a disproportionate pro rata cost factor, plus any margin permitted by a high protective tariff. Also, the obsession for heavy industry in economically immature countries has led to plans that are far in advance of their present stage of development. After all, Brazil is the only Latin-American republic that is ready for a full-fledged capital goods industry.

In self-protection, Latin America has not only turned within herself as an economic unit, but the process has been carried one step farther by an often extreme, but very Latin-American, preoccupation with the individual country's own economic salvation regardless of what happens to its neighbors. What we call their "economic nationalism" is only a natural reaction to an economic *internationalism* that no longer works. If its manifestations are at times irritating to us or thoroughly impractical in themselves, that was to be expected.

The further integration or complementing of the national economies of Latin America is a very natural solution to much of its current dilemma. An extension of inter-American trade would do much to compensate for the loss or uncertainty of markets and sources of supply outside the hemisphere. It has already done much, and the possibilities in that direction are very considerable. An examination of the commercial statistics of some of the republics for the past ten years is very revealing as to the extent of their trend. In many cases the high rank in the export and import position of a particular republic that was formerly held by a European country is now held by another Latin-American nation. Of countries not concerned in this study—in 1946, Argentina was Colombia's third source of imports, followed by Peru in fourth place; Mexico was Cuba's fourth export market and ranked third in Cuba's import trade in which Venezuela held second place; Cuba and Venezuela were respectively Ecuador's second and third export markets; Argentina, and not France, was Haiti's second supplier; Guatemala and Argentina held respectively second and third place in Mexico's export trade, and Argentina and Cuba ranked second and third as sources of Mexico's imports; in Peru's export trade Chile held second place and in her import trade she held third place behind Argentina in second place; and in Venezuela's import trade, Brazil ranked second and Argentina third. Though much of this represents war-born trade, the new direction of commercial channels is basically so sound that it should be able to survive in large part the competition of European countries, as they are restored to something approaching their former commercial capacities.

While it might be politically desirable that this inter-American trade should be as nearly hemispheric in scope as possible in order to establish a common consciousness of interest, it is inevitable that much of this commercial interchange should be of only regional proportions like the very considerable trade between Mexico and Guatemala and between Peru and Chile. Only Argentina and Brazil have reached out to any considerable extent to trade beyond their immediate neighborhood.

The southern republics of the continent constitute a natural regional bloc, though with certain qualifications. This group of states comprises Argentina, Chile, Paraguay, and Uruguay. For the purpose of this study, Bolivia is also included, since it has been drawn well within the economic orbit of Argentina, as it was earlier threatened by the industrial hegemony of Chile. The outstanding circumstance of this regional bloc is the dominant position of Argentina, and therein lies its principal limitation as a purely economic unit. Argentina's superiority in respect to area, geographical position, population, industrial and financial development, and market capacity, not to mention military power, is so overwhelming as to preclude any bargaining equality in the give-and-take of commercial interchange. Moreover, in any calculations the potential political ambitions of the present Argentine regime cannot be ignored, since the pressure of economic advantage can easily be translated into terms of political advantage, as Argentina has on occasion taken advantage of the necessities of Uruguay. The only partial counterpoise to Argentina's predominance is Chile, but the Chileans are too preoccupied with their own engrossing internal problems to serve as an effective check to any designs of Argentina to make political capital of her strong economic position vis-a-vis her neighbors.

Of the five national economies involved, two, those of Paraguay and Uruguay, are primarily agricultural. However, the resemblance largely ends there. Paraguay's agriculture is still largely on a subsistence basis, and her general standard of living is proportionately low. Her only non-agricultural products of any appreciable value are timber, quebracho extract, and *yerba mate*. Her manufactures are entirely elementary. Uruguay's agricultural and pastoral industry is relatively advanced, her manufacturing industries are diversified and well developed, and the standard of living of her people is among the highest in Latin America.

Bolivia is essentially a mining country, and her precarious economy is otherwise subordinated to that basic industry. Her agriculture is rudimentary and inadequate to supply her people with meat and grains. Her manufacturing industry is largely devoted to providing woolen and cotton cloths for a population that lives in the most rigorous climate of Latin America.

Though minerals, particularly copper, iron, and nitrate, still constitute the bulk of her exports, Chile has one of the most complex and advanced economies in all Latin America. Her agriculture, though its methods leave much to be desired, yields a remarkable diversity of products. Under the added impulse given by the famous Corporación del Fomento de la

Producción, Chile has become one of the three most highly industrialized nations of Latin America. The extraordinary range of her manufactures includes heavy chemicals, textiles and clothing, a wide variety of processed foods, paper, and glass, leather goods, primary iron and steel, and fabricated metal products, both ferrous and nonferrous—all this in a country that has a million fewer people than the state of Texas and probably less than one-sixth its market capacity. The manufacturing industries of Chile not only supply the domestic demand in most of these lines but produce a considerable surplus for export.

As a source of international trade, Argentina's scanty mineral production is of little importance. Her petroleum output does not even meet the country's needs, and her lead and small tin production are utilized as raw materials in her domestic industries. She has no solid fuel resources that properly can be called coal, and her iron ore deposits in the far north are of too low a grade and too questionable a volume to serve as a basis for the overly-ambitious and uneconomic plans of the Perón government for a national steel industry.

Argentine agriculture is too well known to require comment here. Suffice it to say that it covers in abundance practically the entire range of commercial sub-tropical and temperate zone crops and the whole catalogue of the pastoral industries.

The manufacturing industries of Argentina are as diversified and extensive as those of Chile and in certain minor respects are more advanced. The similarity of the industrial system of the countries is a serious drawback to what might be an exchange of manufactured goods that would be mutually advantageous. As it is, their industries, for the most part, are potentially competitive rather than complementary. Chile's principal advantages consist of a more satisfactory store of raw materials, especially for her chemical and metallurgical industries, and of adequate supplies of coal and hydroelectric power. Argentina has the advantages of a much larger domestic market, a better geographic position in reference to potential foreign markets, larger reserves of investment capital, a larger pool of skilled labor and technicians to draw on, and petroleum.

The ratio of Argentine-Chilean trade to the total trade of the two countries for three representative years is shown by the following tables of percentages:

ARGENTINA

Exports to Chile:

1938..... 1.0% of total Argentine exports
1944..... 3.6%
1946..... 2.3%

Imports from Chile:

1938..... .5% of total Argentine imports
1940..... .8%
1946..... 1.4%

CHILE

Exports to Argentina:

1938..... 1.5% of total Chilean exports
1944..... 8.2%
1946..... 7.6%

Imports from Argentina:

1938..... 4.3%
1944..... 17.1%
1946..... 14.5%

These figures indicate that both as a market and a source of supply Argentina is much more important to Chile than Chile is to Argentina. At no time, even during the wars, has Chile held more than a very low place in the foreign trade of Argentina. On the other hand, as a market for Chilean goods, Argentina rose from ninth place in 1938 to second place in 1944, and two years later, in 1946, was in fourth place, only slightly behind France. As a source of imports for Chile, Argentina rose from seventh place in 1938 to second place in 1944, from which she has only been displaced by Peru in 1946. In value, Chilean exports to Argentina were eight and a half times larger in 1946 than in 1938, and Chilean imports from Argentina in 1946 were nearly seven times those of 1938.

Though Chilean imports from Bolivia are insignificant, Bolivia ranks fourth among the Latin-American republics as a market for Chilean goods. The ratio between exports and imports is about twenty-five to one. Neither Paraguay nor Uruguay hold an important place in Chile's trade.

According to other Argentine and Uruguayan figures, Uruguayan purchases of Argentine goods increased about five and a half times between 1938 and 1946. However, in relation to commercial trends in the other direction, that is, from Uruguay into Argentina, there exists one of those wide discrepancies that often plague the user of Latin-American statistics. According to Argentine statistics, Argentine imports from Uruguay increased about three times during the years in question, while according to Uruguayan statistics, Uruguayan exports to Argentina in 1946 fell to about one-third of this value in 1938. In either event, as with Argentine-Chilean trade, the relative importance of commercial interchange between Argentina and Uruguay has been much greater for the smaller country. While Uruguay imports about $4,000,000 worth of goods a year from Paraguay, trade in the other direction amounts to only about one-eighth that figure. Uruguayan trade with Bolivia is virtually non-existent.

In considering possibilities for the further integration of these five economies, we must reckon with the counter attractions of two other countries on the margin of our hypothetical bloc—Brazil and Peru. For a clear-cut economic unit of this kind is no more possible than it is within the United States, where the zone of commercial attraction of every important city quickly merges off into that of other cities, competitors for the trade of its chosen area. Uruguay, a true buffer state, like Switzerland, is outside the economic orbit of Argentina. There is little basis for

any considerable increase of reciprocal trade between the two countries, for Uruguay produces little that Argentina wants, though Uruguay might import more of Argentina's manufactured goods. Another weakness of this trade relationship became evident a few years ago as a result of Uruguay's deficit in wheat production, when she obtained wheat from the United States rather than accept her neighbors' terms for the relief of her flour shortage. Meanwhile, she can be expected to go on trading in a modest way with Argentina, though on a smaller scale than with Brazil.

Brazil, in spite of all the obstacles of transportation between the two countries, has made large inroads into the extraordinarily strong position of Argentina in Paraguay. In 1946, Paraguay made almost half of her import purchases from Argentina, and in that year imports from Brazil had almost half the value of those from Argentina. If rail connections could be opened between Paraguay and São Paulo, the landlocked republic would have the bargaining power and economic independence in relation to Argentina which she lacks today.

Bolivia, which has the potentially weakest economic and political position of any South-American nation, is the object of a four power rivalry for economic control over her trade and resources. These countries are Argentina, Brazil, Chile, and Peru. Due to the lack of refining facilities, the purchase of tin ores, Bolivia's major product, does not enter into the immediate calculations of these rivals. Three of the countries already have railroads connecting with the Bolivian plateau, and Brazil is building a line from Corumbá, the railhead from São Paulo, westward into the Santa Cruz region of eastern Bolivia. Argentina is taking some of Bolivia's still meager petroleum output, and it is no secret that a race is under way between her and Brazil for access to the Bolivian oil fields. Argentina also would like to draw on Bolivian rubber production, but location of the Bolivian rubber forests in the northern part of the republic, far from the Argentine rail system, makes it difficult to reach that area from the south. Meanwhile, Argentina's ability to meet the needs of Bolivia for meat, wheat, and other agricultural products, not to mention manufactures, gives her a strong bargaining advantage in dealing with Bolivia. However, she is now sharing the market of the plateau country with Peru, Brazil, and Chile. Even the United States sells little more in Bolivia than does Argentina.

In 1946, Chile's imports from Peru were considerably larger than from Argentina. This large one-way trade—for Peru bought little from Chile—largely consisted of bulk items like cotton, sugar, and petroleum. Chile's efforts to grow cotton and sugar beets and the possibility of developing her oil fields in Tierra del Fuego are certain to reduce the volume of her trade with Peru, whatever the economic wisdom of her plans for self-sufficiency in cotton and sugar may be.

Pure economic factors would normally favor the increased economic interdependence of Chile and Argentina, if pure economic factors were permitted to operate free from the various forms of political pressure. The much-heralded $125,000,000 Argentine credit to Chile, which was

planned to integrate more closely the economies of the two countries, has not yet been accepted by the Chilean government. Unfortunately, for the prospect of greater reciprocal trade, their industrial systems tend to parallel rather than to complement one another. Thus, Chile's heavy chemical industry should find a good market in Argentina, but Argentina is endeavoring to duplicate too much of the productive facilities which Chile has already in operation. If Argentina is really bent on establishing a large-scale steel industry of her own, Chile could supply her with any needed quantities of excellent ore. Also, with an expansion of its plant, Chile's already large coal industry might materially increase her coal and coke exports to Argentina, which in 1945 amounted to only 43,000 tons. Both mining industries are located on the coast of Chile, so that all-water transportation to Buenos Aires gives a large advantage to this traffic. Otherwise, the expanding metallurgical industry of the Concepción-Valdivia region of Chile might be geared to the needs of Argentina for primary steel products. Other lines of which Chile would be in a position to expand her exports to Argentina are copper, nitrate, fish and shellfish, paper, and materials for bagging. In the other directions, Chile should offer a natural outlet for a more diversified export trade from Argentina, including quebracho extract for Chile's tanning industry, *yerba mate*, certain vegetable oils, beef and pork, cheese and other dairy products, books, and certain other products of Argentina's more highly developed manufacturing system. The long-heralded and only lately-completed railway connection between Salta and Antofagasta should do much to promote increased commercial interchange between the northern parts of the two countries. The reopening of the Trans-Andine Railway and the improvement of the international highway which parallels its line over the Uspallata Pass have already done much to provide good transportation facilities between the Central Valley of Chile and the Mendoza-Pampa regions of Argentina. Farther to the south, the opening of better connections through the lake region of both countries would bring the zone between Concepción and Valdivia into closer relations with the part of Argentina served by the Southern Railway.

Mention of the Argentine-Chilean lake country brings up the question of the tourist trade as a source of national income. Since this resort region is shared by both countries, which have developed its hotel and recreational facilities, there is little to attract tourists across the border from either side. Valparaiso's famous resort center of Viña del Mar may offer a certain appeal to wealthy Argentines, just as the manifold diversions and shopping opportunities of Buenos Aires draw affluent visitors from all over the southern part of the continent. However, the only considerable international movement of tourists within the general area under study is the large influx of Argentines to the fine beaches of Uruguay during the southern summer.

The most important concrete proposal yet made for the closer integration of these national economies is the Argentine design for a customs union of the various countries. The full consummation of such a plan

would definitely have the effect of creating a special area of common economic interest. If it were not for the great disparity in the economic and political power of the republics involved in the projected South-American Zollverein, much might be said in its favor, for its basic principle is sound. As it is, the three weaker members would probably place themselves in the position of commercial satellites of Argentina. Paraguay, with which negotiations have proceeded farthest, is already in that position and has lost nearly all of whatever small bargaining power she may originally have had. Any concessions which the smaller country may have received as her *quid pro quo* can easily be nullified or reduced in practice by the "squeeze" tactics which Argentina is in a position to apply whenever her national self-interest dictates the use of further pressure. The only counteracting influence which might be exerted would have to come from Brazil. But, as transportation lines go, Río is a long way from Asunción and, at any rate, Brazil has been presented with a *fait accompli.*

The five-year agreement signed on December 13, 1946, between Argentina and Chile, but not yet ratified by the Chilean Congress, would go far to integrate the economic life of the two countries. Among the provisions of the pact were (1) the elimination of customs duties, except in certain lines of goods to be specified later, but with quantitative restrictions on goods which might threaten to "flood" the other's market; (2) a short-term credit of 100,000,000 Argentine pesos to finance a temporary unfavorable trade balance on the side of Chile; (3) an investment of 300,000,000 Argentine pesos in Chilean industries, especially copper, iron and steel, coal, lumber, and hydroelectric power; (4) a 300,000,000 Argentine peso bond issue to be floated in Argentina by Chile for roads, railroads, and other public works; (5) free transit through either country to a third country of goods and the establishment of free or special port zones in either country; and (6) preferential treatment on an equal tonnage basis whenever possible to Argentine and Chilean ships in sea shipments of goods between the two countries.

To summarize, the lack of a uniform or similar pattern in the trade relationships of these five states militates against any comprehensive scheme for their economic integration. They lack the urgent compulsion for unity which has prompted the program of common action by the so-called Benelux countries in Europe. In large part, their economies are not complementary, but competitive. Their plans for industrialization seem to have had Europe and the United States, rather than their neighbors, in mind—and that in a purely defensive sense. Their propinquity at the southern end of the continent no more makes them a natural economic bloc than does the sharing of a common shore on the Pacific make a commercial federation of the West Coast republics.

Finally, to those who still believe in that idea which during the war was awkwardly labelled "hemispheric solidarity," the studied creation of a strong regional bloc of this kind would seem to interfere with the desired strengthening of the larger bond. For, particularly in these times, economic ties have a way of becoming political ties.

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CHILE TODAY AND TOMORROW, FROM THE SOCIAL AND ECONOMIC VIEWPOINTS

MARIO ILLANES

Commercial Counselor, Embassy of Chile, Washington, D.C.

First of all I wish to thank The University of Texas for its courtesy in extending to me an invitation to participate in the series of lectures organized by the Institute of Latin-American Studies. This opportunity gives me double satisfaction. First, that of being here today among you, whom I have known for some time for your enthusiastic interest in economic problems, especially those related to your neighbors to the South. Secondly, that derived from the fact that we Chileans hold a deep admiration for the adopted state of Sam Houston, for the unquenched spirit of the Alamo expressed in the enterprise and the courage of its people and for their achievements, for its open spaces and vast resources, for the pride and love every Texan holds for his soil and his fellow Texan, and because the flag of this great state not only bears the same colors as our own, but also displays, as does ours, the Lone Star as a symbol of union and protection. To all of you go my sincerest thanks.

The subject of my lecture, as already announced, is "Chile, Today and Tomorrow, from the Economic and Social Viewpoints." This topic may have appeared strange to many of you, and more than one student may be thinking: "Even in their lectures Latin-Americans have to speak of *mañana.*" Well, this is not the point and has no connection with the all-too popular tune which you hear so often.

Any country interested in developing its resources, building new industries, and bettering the welfare of its people, must think in terms of *mañana,* a *mañana* not far from today. Therefore, in my remarks the word "tomorrow" indicates our desire not to retain a colonial type of national economy. Chile wishes to forge ahead and obtain a better way of life for her people and to show the world that by developing her own resources she can reach this goal.

Before entering into the real subject matter of my remarks, I would like to give you a short outline of Chile's geopolitical position. Chile, I mean continental Chile, is divided into three distinct zones:

The Northern Zone, extending from the Peruvian border to the province of Coquimbo, is composed of four provinces and is outstanding for its mineral resources, although two of these provinces have some fertile soil covered with orchards and truckcrops and meadows studded with dairy farms. In that section are large areas waiting for irrigation.

It is here in the Northern Zone that are located the large copper mines, the nitrate deposits, the iron ores, and many other minerals; also the two ports of Arica and Antofagasta which are connected by rail to Bolivia. Further on, when speaking of our economy and our plans for its future, I shall refer again to the nitrate and copper industries, which up to this time have been the basis of our economy.

Here also, in the Northern Zone, is the town of La Serena, dear to all Chilean hearts, as the birthplace of our respected president, Gabriel Gonzalez Videla, and the Nobel Prize poetress Gabriela Mistral.

The Central Zone consists of vast stretches of irrigated agricultural land, with a large variety of crops such as rice, onions, hemp, lentils, peas, beans, fruit, and others. Our best vineyards are located in that zone also and produce one of the most renowned wines in the world. The fruit and dairy cattle industries also play an important part.

The Central Zone is the most industrialized zone of Chile, where are located large textile and rayon plants, factories manufacturing cement, tires, chemical products, furniture, paper, canned goods, and others. It is in that zone, near Concepción, that a steel mill, to which I will refer later, is now being built. This is the first steel mill to be built in Chile. It will be completed in 1949 and will be an asset not only to that region but to the whole country as well.

Santiago, the capital of Chile, is situated in the Central Zone. It is a modern handsome city, with a population of over one million. In that zone, too, is located the port of Valparaiso, the most important on the Pacific Coast of South America. Another asset of the Central Zone is its climate, which attracts every year thousands of tourists to its modern resorts. Someone said, referring to the climate of the Central Zone of Chile, "it has the climate California advertises."

The Southern Zone can be divided into two regions—the Southern Zone proper and the Zone contiguous to the South Pole. The Southern Zone proper is composed of agricultural land producing large crops of wheat, oats, and fruit. It also has large herds of cattle, pasture land, and great forest areas. Its beautiful lakes attract tourists from all over the world, and it has come to be called the "Switzerland of the Southern Hemisphere."

The region contiguous to the Pole is famous for its millions of head of sheep and dense forests. Another of its resources, which renders Chile similar to your own state, is the discovery, after many years of exploration, of petroleum deposits in the extreme south. Oil was struck in December, 1946, and promises to be abundant.

Beyond the Straits of Magellan, Chilean territorial claims run to the South Pole, the Antarctic, and in this great unexplored area there are evidences of large mineral resources, which some day it is hoped will be exploited for the benefit of mankind.

All three Zones of Chile, due to a coast line of nearly 3000 miles, have a sizeable fishing industry, though these resources have not yet been exploited in proportion to the scale of our extremely abundant marine life.

Our great poetess, Gabriela Mistral, has described Chile as a great genie, like that out of the Arabian Nights who responded to Aladdin's lamp, holding aloft a great urn of fire in one hand, which is the northern deserts of Chile, and in the other an urn containing the ice of our frigid Antarctic region, whilst along his outstretched arms and chest runs the

huge, tremendously fertile Central Valley of Chile, with a Piedmont soil sometimes fifteen feet in depth, productive of every growing plant, yielding an abundance of food to the favored population of this land.

With this outline I hope to have given you a clear bird's-eye view of the country. Now, I shall pass on to the economic situation of Chile today. In my remarks, I will dispense with the reading of tables, which will be found in the printed text.

A primary factor in our national economy is our export trade, more so probably than in the case of any other country of this Hemisphere. Recent statistics show that Chilean exports during the last few years amounted to over 50% of our total national production. In 1938, the last prewar normal year in international trade, our exports amounted to 9% of the total exports of all Latin America. They are, in order of importance, copper, nitrate, agricultural products, wool, iron ore, frozen meat, and lumber, with a few miscellaneous. Up to now, the commercial life of Chile depends primarily on the world demand for copper and nitrate and on the prices these two commodities bring on the world markets. They represent, in normal times, over 70% of the value of our total exports. This does not mean that Chile is predominantly a mineral country. Though our export of agricultural products is small compared to those of nitrate and copper, it should be remembered that agriculture has always played a very important part in our domestic economy, since Chile, with the exception of sugar, tea, coffee, a few head of feeders, and vegetable oil, is self-sufficient in foodstuff and in several items has a sizeable surplus for export.

Chilean exports, in American dollars, in the years 1940 to 1946, have been as follows:

	Value	Tonnage
1940	$143,700,000	3,988,200
1941	161,000,000	3,779,800
1942	179,000,000	2,490,000
1943	181,000,000	1,906,300
1944	197,800,000	1,940,800
1945	210,800,000	2,784,700
1946	223,400,000	3,533,000

You may have noted that the value of the exports and the tonnage do not follow the same trend. For example, the tonnage in 1940 was 3,988,200 tons with a value of $143,700,000; in 1946, the tonnage is smaller than that of 1940; however, the value is $80,000,000 higher. This is due to the higher prices paid all over the world for all products during recent years, whereas during the war years Chile had to sell her two principal products, copper and nitrate, at prices fixed by the United States, to which we shipped all strategic materials in co-operation with the war effort.

As I have explained before, copper and nitrate accounted for over 70% of the total value of our exports for many years. Of the total income from copper and nitrate exports, only 60% remains in Chile, either in the form of labor, taxes, or other direct production costs. The balance of 40%

stays abroad either in the form of profits for the investors, amortization and administrative costs, or merchandise imports paid abroad by foreign-owned mining corporations.

Copper, before the last war as well as now, is bought not only by the United States, but in appreciable quantities by Great Britain, Belgium, France, and other countries including some South American. The United States, however, continues to be the main buyer, either for their own consumption or for the purpose of fabrication in bond for re-export.

Chile, it is interesting to note, is the world's second largest producer of copper, being preceded only by the United States, and followed by Canada and the Union of South Africa. Our production of copper bars has been, during the last few years, on an average of over 400,000 metric tons per year. We are just beginning to manufacture copper goods.

I will pass now to our second most important product, nitrate. Chile is the only country in the world producing natural nitrate of soda, a fertilizer well known all over the world and especially in the United States in all the southern states where it is used for cotton and tobacco crops. The competition created by the synthetic product has not displaced and, we feel sure, will never displace natural sodium nitrate. Although Chilean nitrate has only a 16% nitrogen content, it contains some impurities extremely important to plant growth, as proven by studies conducted by American laboratories, experimental stations, and universities, and is safe to handle. We are producing at present 1,800,000 metric tons of nitrate of soda per year, which represent, in terms of nitrogen content, 290,000 metric tons. Although Chile produces less than 10% of the world's nitrogen, she is by far the largest exporter of this commodity.

The demand for nitrogen for agricultural purposes is so great that the International Emergency Food Committee (today a part of the Food and Agriculture Organization of the United Nations) has deemed it necessary to create an International Committee on Fertilizers, on which are represented the main exporting and importing nitrogen countries in the world, and an Executive Committee on Fertilizers within the International Committee. Chile is represented on both committees, whose task it is to deal with the problems arising out of the shortage of nitrogen in the world and to prorate the available supply in proportion to the needs of each country.

The world shortage of nitrogen for the year 1947–1948 is close to 1,000,000 metric tons, which in terms of Chilean nitrate of soda equals 6,250,000 tons. To give you an idea of the intricacies and difficulty of the distribution of our nitrate production, it is enough to say that although the demand today for Chilean nitrate is such that we would need only three world markets to dispose of our exportable surplus, this surplus is prorated by the International Committee on Fertilizers, with our consent, between 56 countries. This, Chile is glad to do in a spirit of international co-operation. We will continue to participate, to the fullest extent, in the task of solving this world shortage of nitrogen, which, according to experts, will last for several years. Many times we have agreed to put

aside the demands of our permanent markets, to our own disadvantage, to co-operate in a more equitable distribution from the viewpoint of the needs of each country.

Closely associated with our nitrate industry is its most important by-product, iodine. We export almost our total production, amounting to approximately 1,000,000 kilos annually.

Looking over our total exports for the year 1946, which may be considered a normal postwar year, we find the following percentage for each product:

	Per Cent
Minerals	70.6
Agricultural	12.9
Livestock	4.7
Foodstuff	3.5
Miscellaneous industries	1.6
Textile industry	1.4
Metallurgical industries	1.4
Liquor and beverages	1.3
Various items	2.6

To what countries were these products exported in that same year and in what proportions in terms of dollar value? They are as follows:

	Per Cent
United States	36.6
Great Britain	12.4
France	7.7
Argentina	7.7
Italy	4.7
Brazil	4.0
Sweden	3.2
Egypt	2.8
Cuba	2.7
Bolivia	2.3
Perú	1.9
The Netherlands	1.8
Greece	1.6
Spain	1.1
Switzerland	1.1
Colombia	1.0
Belgium	0.8
Venezuela	0.7
India	0.7
Portugal	0.6
Panamá	0.5
Uruguay	0.5
Denmark	0.5
Ecuador	0.5
Czechoslovakia	0.4
Poland	0.4
Porto Rico	0.2
The Philippines	0.2
México	0.1
Other countries	1.3

As indicated above, the United States represent by far the principal market for our exports. In 1945, out of total exports valued at $210,800,000, $116,700,000 worth went to this country.

Now, with your permission, I will pass on to our imports.

A large volume of our imports is connected with the effort to develop our industries. It is a well-known and accepted fact that the growth of industrial output in any country is a very important factor in the improvement of the standard of living of its people and the increase of the national income. Therefore, Chile expends every year a considerable amount of the exchange obtained through exports for the purchase of raw materials, equipment, machinery, and other elements for better and greater production. However, Chile has to limit these imports to the most essential because of her shortage of dollar exchange. It is true that during the war the balance of payments was in our favor, and we were able to increase our dollar reserves. But once the war ended, we had to import equipment, machinery, parts, and other commodities which our country had needed badly throughout the war years. The dollars which we had accumulated abroad came mainly from our two basic products, nitrate and copper, which we exported in large quantities during the war but at low fixed prices. After the war ended, we had to use those dollars to buy goods abroad, paying considerably higher prices than before the war. Our shortage of dollar exchange explains why our government, through our National Council of Foreign Trade, has found it necessary to control and allocate foreign exchange for purchases made abroad and, in accordance with the regulations of the International Monetary Fund, has established a Foreign Exchange Budget. As I shall explain further on in detail, Chile, in the very near future, will overcome these exchange difficulties, once her industries, agriculture, and petroleum increase their output.

Chile's imports cover more than 40 commodities. They are, in order of importance, iron, steel, gasoline, oil, sugar, oil seed, electrical equipment, livestock, textiles, drugs and chemicals, industrial machinery, coffee, tea, and miscellaneous. Out of a total value of $157,000,000 worth of imports in 1945, we purchased $65,900,000 from the United States (machinery, electrical equipment, iron and steel, drugs) ; from Perú $24,600,000 (mainly raw sugar) ; from Argentina $32,000,000 (livestock, oil seed, and others) ; from Brazil $10,900,000 (coffee, cotton, yarn, etc.) ; from Great Britain $7,200,000; and from other countries $16,400,000.

Our imports, in dollars and tonnage, for the years 1940 to 1946 were as follows:

	Value	Tonnage
1940	$102,200,000	1,651,800
1941	108,200,000	1,637,700
1942	128,400,000	1,591,800
1943	131,400,000	1,628,900
1944	149,000,000	1,555,400
1945	157,000,000	1,633,000
1946		1,828,000

You will note that there is only a slight variation in the volume of our imports during the years listed above, but their cost shows a steady increase, thus reflecting the higher prices paid.

Taking the year 1939 as an index of 100, we find the following increase in the cost of our imports in the last ten years:

1935	85	1941	138
1936	87	1942	207
1937	99	1943	235
1938	97	1944	220
1939	100	1945	219
1940	109		

Up to now I have referred to the foreign trade of Chile with respect to our present economic position. One factor related to both is our merchant marine, which contributes its share by obtaining through maritime trade the exchange needed for our imports.

The tonnage of Chile's merchant marine, including vessels engaged exclusively in coastwise trade along the 2,600 miles of our coast, amounts to approximately 200,000 tons. Our import-export trade combined reaches an annual average of 4,000,000 metric tons, of which only 12% is carried in Chilean bottoms. This will explain our government's desire to encourage the development of our merchant marine, thus providing our trade with adequate means of transport and protecting our national economy.

Chile has been struggling for many years to place her economy on a more solid and lasting basis. The goal to be reached is to free Chilean economy from dependence to such a large extent on foreign markets in order to maintain the rhythm not only of our external trade but of our domestic economy. To that end, we should accelerate and develop the activities of the mining industry; agriculture and the livestock industry should receive more encouragement than they have had up to the present time, since they supply a means of livelihood to a larger proportion of our population than mining. The capital and labor of our agriculture are both almost entirely Chilean, thus affecting more intimately and deeply all our classes, with many opportunities for the people in general. In other words, we must enlarge the scope of our agricultural and livestock industries as well as of the mining industry, improving the production technique, and increasing the output of both. We must strive to produce those items which Chile needs for the welfare of her people and which she is capable of producing. In this manner, we would also increase our exportable surpluses and obtain more exchange to buy abroad the commodities we cannot produce economically or at all.

Of course, we realize that no country in the world is one hundred per cent self-sufficient. This was proven again in the last war. However, every country should try to produce a large proportion of its most essential needs, to the limit of its own capacity and manpower. This will enable a nation to raise its standard of living, increase its purchasing power, and progress along the road of general welfare and economic health.

In view of Chile's vast and splendid resources, material as well as human, there is no reason why her economic, cultural, and political progress should be impeded. Together with her sister nations, Chile belongs to that group, or generation, of young nations which are the great potential factors of the future. Chile is in the vanguard of the nations struggling to establish their economic stability by carrying out vast programs of industrial and economic development in all spheres of activity, strengthening at the same time the foundations which will hold her democratic institutions together in the future.

World economy is passing through a new period, which began upon the termination of the war. Efforts are being made to bring about a general readjustment in all phases of economic activity, re-establishing again, although with great difficulty, a certain amount of normalcy in the world. It seems that it is not possible to achieve this general economic readjustment without conflicts of various natures, due to the vast extent of the disturbances caused by years of war economy. In the social and economic phases we see labor conflicts, the workers struggling for a larger share in the product of their labor, through demands for higher wages and salaries, by strikes and other collective activities. The government of Chile, as a truly democratic government, recognizes labor's right to strike within the law. But this same government, which represents the working class, is firmly determined not to let the seeds of demagogy, through unpatriotic acts ordered by totalitarian powers which tend to the elimination of human rights or work for anarchy, disorder, and corruption against all democracy, bear fruit on our soil. I feel sure you do not want to see this happen here either. If there were a possibility that these doctrines might succeed, then there would be no need for me to refer to the "Chile of Tomorrow," since a country without moral freedom cannot be considered a sovereign nation.

It may interest you to know the percentage of our population employed in each economic activity:

	Per Cent
Agriculture	32.9
Industry	17.0
Services	15.2
Commerce	8.2
Government	5.7
Transport	5.6
Mining	5.2
Building	3.8
Finance	1.3
Public utilities	0.9
Others	2.7

The balance of 1.5% live on income from investments.

The total national income of Chile amounts to $1,200,000,000 per year. A study made in 1945 shows an average per capita income of approximately $250 per year. This is rather small compared with an average

per capita income of $1,500 in the United States. However, it should not be interpreted in terms of comparison with average per capita income in this, or any other country, since price units differ widely. For instance, in 1942 the average per kilo combined cost of foodstuff in Chile was about 30% lower, in dollar cost, than in the United States that same year.

In 1945, about 15% of the total wages and salaries, profits and amortization, interest, rent and other income items went to agriculture and fishing; about 20% to industry and manufacture; 10% to construction, transportation, and public utilities; about 10% to mining; 25% to commerce, finance, and services; the balance of 20% to government and other groups.

The number of individuals engaged in agriculture, fishing, and mining, in their relation to the total man power of Chile, is about twice as large as in the more industrialized United States, whereas the number of people engaged in industry, transportation, and related occupations is relatively much lower.

Chile's efforts are directed toward a sounder economy. When using the word "efforts," I refer especially to the work accomplished during the last decade and our well-planned programs for the future.

The National Association of Manufacturers of the United States has expressed the following opinion: "It must always be remembered that the economic value of trade between the United States and other countries increases in proportion to the development of those countries with which we trade." This must be borne in mind, since there exists a widespread erroneous impression that if countries which formerly had little, if any, manufacturing activities subsequently develop through their own efforts substantial manufacturing enterprises suited to their labor and resources, they will thereby reduce the potential export market of the United States, bringing about unemployment and reducing the standard of living in this country. I do not plan to discuss this fallacious argument at length, but I would like to quote again the National Association of Manufacturers on this point: "Abundant statistics show that as manufacturing increases, buying power also increases and so does the demand for imports. . . . The volume of trade depends much more upon the buying power per individual than upon the degree to which the products of one country are complementary to those of another."

Let us now consider Chilean agriculture.

The agricultural area of Chile is 21,393,725 hectares, which represent 29% of the country's total area. Of this area, 5,564,033 hectares are tillable land; 191,626 hectares are orchards and vineyards; 3,612,939 hectares are natural and planted forests. The rest is uncleared and seasonable pasture land. Only 2.2% of the total area of Chile is under cultivation; this means 1,644,809 hectares, or 29.6% of the total tillable land of the country. There are 3,919,224 hectares of fallow land or land not used for different reasons.

In 1946, Chile produced 2,060,000 metric tons of agricultural products, which is a very small figure for a country with her climate, land, and

people, factors which could make it an important agricultural nation. The area under cultivation, unfortunately, has not increased very much during the last ten years. However, prices paid for agricultural products have increased over 200% from 1935 to 1945. In the same decade there has been an increase in population of 18%.

We have been able to augment our production of rice, sunflower seed, and different kinds of pulse. We have extended our vineyards and the manufacture of wine and alcohol.

Agriculture is the basis or the key to the growth of all other industries, even those not related to it. People must have a properly-balanced diet to do a full day's work. It is also known that a hungry nation will have a mind ready to receive the propaganda and doctrines now spreading in Europe and other countries. Therefore, it is indispensable that we mechanize, industrialize, and modernize our agriculture, introducing new methods and up-to-date production technique, and improving the means of transportation for our products. Perhaps the most important of all steps to be taken in that direction is the building of new irrigation dams, though in the past year several have been built in the Northern Zone.

The government of Chile, in order to help farmers, especially those with limited means, founded several years ago, the *Caja de Crédito Agrario*, which is a semi-fiscal organization providing help to farmers in the form of credit, seed, breeding cattle, equipment, and machinery.

The *Caja de Colonización Agrícola*, another government organization for the development of agriculture, has undertaken very useful and interesting work. It has purchased big farms to be divided, improved, and sold to those who desire to work on the land. It has built roads and rural schools for the benefit of farmers and those engaged in agriculture. It has promoted co-operatives and has made available government land to be divided into lots and sold to prospective farmers. The interest and amortization rate paid to *Caja de Crédito Agrario* and *Caja de Colonización Agrícola* are low.

We also have another semi-fiscal organization, the *Instituto de Economía Agrícola*, which has undertaken to promote the increase of agricultural production to meet the needs of the world markets. It indicates officially what is the exportable surplus of each product, regulates the price of wheat in the various parts of the country, gives advice to farmers in their agricultural economic problems, finds markets abroad for their products, helps in their export when necessary, and renders many other services.

The farmers also have organized several agricultural associations, the main one being *Sociedad Nacional de Agricultura*, founded in Santiago over a century ago. This organization carries on experimental work, disseminates agricultural information, and co-operates with the government in many agricultural problems. It also publishes a very interesting magazine of special interest to farmers and operates a powerful radio station giving daily news on agriculture.

In 1945 our government worked out an "Agricultural Plan," prepared by the Ministry of Agriculture, in which are explained the agricultural

position of Chile and the government's plans for its future. The "Agricultural Plan" is based mainly on the three following ways to develop agriculture: state investments in agriculture, loans to farmers, and state contributions to agricultural organizations. It would be interesting to go deeper into this subject, but there is enough matter in it for another lecture.

The agricultural program of the present government of Chile for a better tomorrow is directed toward the following goal: to see our country self-sufficient in wheat, oil seed, meat, dairy products, beet sugar, and with bigger surpluses of barley, fruit, oats, beans, lentils, hemp, and other necessities. In lumber, for instance, we have produced from 1943 to 1945 an average of 362,000,000 board feet per year, of which 20,000,000 were exported. In our program for 1944–1954, this figure would be an average of 425,000,000 board feet of production per year, with 40,000,000 for export. For 1970 *et seq.* an average of 636,000,000 and 70,000,000 for export.

Let us now consider our plan for tomorrow with respect to mining production. We are determined to increase the production of nitrate of soda, which in four to five years could reach 2,450,000 metric tons per year compared to 1,800,000 produced today. Coal, a vital commodity for all industries, is also susceptible of a large increase. Today's output of Chilean coal is only 2,000,000 tons a year, which is barely sufficient for our own consumption. We produce, at present, only 1,600,000 tons of iron ore. This could be increased considerably. The large copper companies, owned by American capital, also have plans for new investments in their mines.

When referring to our mineral wealth, mention must be made of our smaller mining establishments. These small mines are owned and operated almost exclusively by Chilean individuals, Chilean partnership, or Chilean corporations. Their contribution to our economy cannot be overlooked. Most of these mines are located in the Northern provinces and supply work, directly or indirectly, to several thousand persons. Among them are copper mines, manganese, gold, silver, lead, coal, marble, onyx, mica, talcum, and others.

The government of Chile has always given full and untiring help to the miners, especially to those of limited means who have to work with a shovel and a pick or with very obsolete equipment. We have a semi-fiscal organization, *Caja de Crédito Minero,* which gives credit to the miners as well as advice and has helped to build smelters to treat the minerals. We have good laboratories and schools where practical miners can graduate. About sixty years ago the organization known as *Sociedad Nacional de Minería* was founded. It conducts studies and co-ordinates the efforts related to the development of our mining resources.

Our President, born in the Northern region of Chile, is one of the most enthusiastic promoters of the development of our small mining establishments.

With respect to the oil industry, we know now that our oil resources represent real wealth. At present we have only eleven wells of potential better-than-average production, but work in this field is quite extensive, and it is very likely that at the end of this year, or the beginning of next, we shall build our first pipe line and refinery. This is another of our assets for tomorrow. Among the South-American nations, Chile may be considered, if not the country with the vastest mineral resources, then one of predominance in this field. One may state, with good reasons, that Chile occupies unchallenged place among the countries producing copper, nitrate, and coal, and second place among the Latin-American republics producing iron ore. As I mentioned before, minerals represent 70% of the total value of our exports and supply from 45% to 55% of the exchange to pay for our imports.

The fact that mining and only two mining products, copper and nitrate, constitute the basis of our economy, creates a precarious economic situation. Any fluctuation in the prices of these two commodities on the international markets can dislocate our economy. We are endeavoring to correct this situation by widening the sphere of our activities and increasing, as well as improving, production in other parts of the country.

INDUSTRY:

In 1946, the total output of our manufacturing industries showed a 6.1% increase, in spite of shortage of raw materials and labor trouble. Though most of our industries use raw materials produced in the country, the volume we must import is considerable and absorbs a large percentage of our foreign exchange.

Among the most important manufactures are the following: textiles and fibers, beverages, leather, rubber, clothing, chemical, metal, small machinery, hand tools, canned goods, paper and printing, lumber, house furniture, stonework, clay and earthenware, glass, accessories for public utilities, and others of less importance.

When referring to the Central Zone of Chile, I mentioned the steel mill now being constructed near Concepción for Compañía de Aceros del Pacífico. This project represents an investment in dollars of 53,000,000, besides Chilean pesos investments. This mill will produce a minimum of 150,000 tons of steel products annually, representing 180,000 tons in bars. It is expected that this output will meet our demands in 1950. This industry will consume 290,000 tons of iron ore; 150,000 tons of metallurgic coke; and 65,000 tons of smelting material. These raw materials will be obtained in Chile and are valued at $1,700,000. The utilization of the coke in this new industry will yield several by-products, among them 75,700,000 cubic meters of gas; 5,580,000 liters of benzol and light weight oils; 14,500,000 liters of tar; 11,000 tons of coke for foundries; and 22,600 tons of household coke. The steel mill will offer work to over 1,500 men.

One of Chile's main resources for a better future is her potential hydroelectric power which, on a per capita basis, is the second highest in the world and far above the world's average. In 1940, Chile generated a

total of about 1.5 billion kilowatt-hours of electric power. Half of this amount was produced in the two northern provinces, containing the large mining companies, and mostly in steam power plants. The other half was generated in the Central and Southern regions, about 60% of which was produced by coal-generated steam and mostly for industrial use. Between 1940 and 1945, hydroelectric power for public service increased by over 50%. The potential electric power of Chile is 6,000,000 kilowatts, and in the last five years we have erected several hydroelectric plants. At present we are starting a new project which includes the building of three large hydroelectric plants.

In view of Chile's determination to advance the industrialization of the country, it is indispensable that a vast program of hydroelectrification be undertaken. Despite the development I have mentioned, the demand for electricity still exceeds the supply, and additional electric power will be required to take care of the future needs of industrial developments. It is estimated that in 1950 Chile will have installed and in operation the three new plants mentioned above, with an aggregate capacity of 1,000,000 kilowatts.

Before closing the subject of industry and public utilities, it may be interesting to note that in 1945 our position in industry and trade stood as follows:

Imports	$149,000,000
Exports	$197,790,000
Production	$294,680,000

In order to aid the expansion of industries already established and the creation of new ones, our government founded several years ago the *Instituto de Crédito Industrial,* which is proving of great help to industry in general.

Most of our government's program for development of production, agricultural as well as industrial, is in the hands of *Corporación de Fomento de la Producción,* a government agency. The purpose and objectives of this organization, founded nine years ago, may be summed up briefly as follows: to formulate a general plan for the promotion of national production designed to raise the standard of living by means of the development of the country's natural resources and by decreasing the cost of production; to improve the situation of the balance of international payments; and, to carry out the various plans, maintain the proper balance in the development of mining, agricultural, industrial, and commercial activities, in an effort to meet the needs of the various regions of the country. Another aim of the *Corporación de Fomento* is to carry out, in collaboration with fiscal, semi-fiscal, and private institutions, studies to find the best means of manufacturing or growing new products, increasing present production as to quality, yield, and cost.

This program was financed and carried out through special taxes. The *Corporación de Fomento* was also authorized to borrow, both in Chile and

abroad. Loans have been granted by the Export-Import Bank of Washington and recently by the International Bank for Reconstruction and Development.

The *Corporación de Fomento* has concentrated on developing certain basic industries, which private capital would not ordinarily be able to do or be interested in financing. These may be divided into four main categories:

a) Public works and improvement, such as port mechanization.

b) Projects involving large long-term investments, with small returns, such as electric power plants.

c) Development of new industries required for the expansion and stabilization of the internal economy of the country, which need large capital outlays at the outset, such as the forest industry.

d) Financial assistance to existing industries within the country, in which foreign capital may not be particularly interested, such as municipal transportation.

The *Corporación de Fomento* also lends its financial assistance in the form of Chilean currency for construction, installation, and working capital, to operating firms needing such assistance.

It would be too lengthy to explain in detail the achievements of the *Corporación de Fomento,* but it may be stated that in the nine years of its existence, it has accomplished most constructive work, and several Latin-American countries are now creating the same type of organization.

It is not the aim of the *Corporación de Fomento* to own, even in part, the industries it helps to organize. A government law stipulates that a percentage of the shares in each industry is to be placed gradually on the open market, to be bought by the public. Thus, they will be, in the long run, privately owned.

The loans granted by the Export-Import Bank of Washington to the *Corporación* have been used to finance the following projects. It has helped in the formation of a corporation known as Madeco, which manufactures copper products, and at the end of last year attained an output valued at over $500,000. This year it will give employment to 1,600 people. Another new industry financed by the *Corporación de Fomento* is called *Mademsa,* for the manufacture of metal goods, such as furniture, cabinet files, stoves, cutlery, lamps, etc. The *Corporación* is helping small coal mines. It is the *Corporación de Fomento* which carried out the oil exploration in the Southern Zone of Chile, to which I have referred. It has granted loans to private firms to help organize a corporation which has built a cement plant in Northern Chile and a tire factory near Santiago. It has obtained from the Export-Import Bank a loan for the development of our state railroads. It has promoted the sale of our wines abroad. But its most important undertakings, as I mentioned before, are the steel mill and the hydroelectric plants.

In the immediate future Chile will begin to use the funds made available by the International Bank for Reconstruction and Development, which also

will be handled by the *Corporación de Fomento*. These funds will make it possible to purchase up-to-date farm machinery and build new hydroelectric plants. In our plans for the near future we are contemplating the development of our lumber industry. According to the report made by the American Mission, contracted recently by our government, Chile has the largest hardwood resources left in a temperate zone, which definitely warrants the establishments of a modern industry on a large scale. The majority of existing sawmills in Chile are small, obsolete, and wasteful. They do not return enough to support a proper program of fire and blight control and reforestation.

The development of the fishing industry on a large scale is another project in our plans for tomorrow. An American Mission has also carried out researches on this line, from which we have come to the conclusion that we have in this field another source of wealth for our country. We must, however, purchase more fishing boats, packing houses, cold storage equipment, refrigerated cars and trucks, and other equipment.

Other projects in view are the electrification of certain sections of our railroads which would release more coal for other uses and the mechanization of our ports.

The total receipts for Chile's balance of payments during the past few years has been approximately $250,000,000 annually, reaching $275,000,000 in 1945. With the projects already financed, those to be financed under existing loans, and the loan from the International Bank, Chile will improve her balance of payment by close to $25,000,000 annually, as a result of savings in imports and foreign exchange created by new exports. Once the new projects under consideration (petroleum exploration, forest industry program, increase of beet sugar production, enlargement of the fishing industry) are completed, it is expected that our balance of payments will be improved by another additional $25,000,000.

The activities of the *Corporación de Fomento* alone are not sufficient for the improvement of our economy and balance of payments. We need the help of foreign capital. One of the most recent expressions of good will on the part of our government toward foreign capital is a law adopted by the government of Chile in 1945. This law offers every guarantee to foreign capital which desires to invest in Chile. We recognize the fact that this foreign capital is essential to our national economy, to carry out our programs for tomorrow, increase our production, and improve the standard of living of our people; and we are fully aware that we must give all the necessary assurances for the return of profits to the country of origin. There is not one single instance of unfair expropriation of foreign enterprises in Chile.

You will see, from what I have explained to you regarding the economic situation of our country, that Chile has vast fields of opportunity in agriculture, mining, and industries. Our country, with a population of 5,400,000 people, could support a much larger population, and for that reason our doors are opened to those who wish to emigrate to our shores to create new industries, increase production, and become a part of the

country and the land. But, of course, we do not wish to have the type of emigrant whose only purpose is to take away from our nationals business in which they are already engaged. The result would be reminiscent of the expression we have in Chile: "To disrobe a saint to clothe another," the saint disrobed being, in this case, the Chilean, with a very sad face.

The present government of Chile has founded recently a National Advisory Economic Council, in which our agriculture, commerce, industry, mining, transportation, and financial interests are represented. The objectives of this organization are the following: to study and propose a plan for our economy, directed toward the increase of our production; to rationalize the distribution and circulation of our products; to increase the national income and correct its distribution; to direct credit toward production; to improve the tax system; to obtain the best results with the manpower available; and to attend in general to all matters related to the development and economic independence of our country, protecting the interests of the producer and improving the living conditions of the middle and working classes.

From the social viewpoint, I wish to refer to the campaign started by our government to better living conditions, both in urban and rural areas. New schools have been founded. We consider our country well advanced on the road to social welfare for all our people, beginning twenty-five years ago. We have had a Preventive Medicine Service for the past eleven years, available to all, as well as free medical care and clinics for the less fortunate classes. Modern and sanitary homes have been, and are being built for workers, although this is a very difficult problem in Chile as everywhere, including the United States. Compulsory insurance for labor has been in existence for the last twenty-two years. We have legislation on industrial accidents, regulation of wages and minimum wage laws, compulsory insurance for employees of private concerns, legislation regarding labor organizations, legislation protecting expectant mothers, legislation on strikes and procedure for settlement of labor disputes (conciliation, arbitration, strikes, and lockouts), and legislation on compulsory education. These are the pillars on the basis of which the inspiration of a new Chile is taking place. Let us glance at one of our social laws, that of compulsory insurance, a law which in itself stands as one of the most advanced pieces of legislation on this continent. It provides for the welfare of the laborer when unable to work, provides pensions for the aged, gives free medical service and hospitalization when needed. The cost of this compulsory insurance is borne by contributions from the government, the employer, and the employee.

As you may see, we have started on the way to social legislation and reform. Nevertheless, I may venture to state that these helpful measures are only the beginning of a plan for the improvement of both the moral and physical health of our less fortunate but equally deserving poorer classes. Truly most of our laborers live in better quarters than did their parents some fifteen or twenty years ago. However, an all important problem remains yet to be solved, and the government of Chile is deeply

interested in it: that of broadening the horizon and assuring the future welfare of our future working class. We must begin by educating them for their true vocation and giving them opportunities for adequate work, for farming their own land, etc.

As a nation, we are fortunate in having first-rate workers. It must be our concern to give them a good standard of living and better education. As I have stated, our government aims to provide food, shelter, and cultural opportunities for all our people as a means of improving their welfare. Education should play its full share as a factor in social improvement and will bring about a change in the outlook and aspirations of all our people.

Spanish America has lived under the influence of traditions brought over by the *conquistadores* and early settlers, those romantic and brave men who imposed their mark on the New World. But, whether because Spain at that time had a feudal mentality or because the exigencies of war compelled the Spaniards to go weapon in hand, the fact remains that productive activities were left to the less fortunate classes, and manual work thus came under a stigma which has influenced our education up to the middle of the nineteenth century. The liberal professions and literary pursuits—considered ennobling—have taken preference, and studies of a technical-manual character have been almost neglected. Modern times demand a more radical change in this attitude if we are to survive as a sovereign nation and not end as a mere factor in the commerce of other nations. Schools will serve the spirit of our times and create the new economic mentality.

Our government has proposed a new school system, which would place emphasis on the vocational capacities and creative abilities of our children. In many classrooms, where only the voice of the master is heard, we shall hear also the noise of children exercising their creative abilities and manual dexterity. In the villages, we are replacing semi-literary schools with others working towards the improvement of rural conditions, extending the benefits of civilization to farm workers, attaching them to the soil. With this new system of schools, we shall mold more competent men, who will learn to create, to produce, and to carry their own weight—an essential condition for the economic freedom of our people and for the realization of the task of national reconstruction to which the government of President González Videla is pledged.

I have now come to the end of what I hope has given you a clear picture of our country, economically and socially. Before closing, I wish to assure you that the friendship of Chile for the United States is deep and sincere, as I believe is the friendship of your country for ours. Chilean public opinion acknowledges the fact that American capital has been an important factor in the development of our national prosperity. We know that all business, be it Chilean, American, English, or any other, must operate in strict accordance with laws drawn for the benefit of all. Unfortunately, one comes across petty misunderstandings creeping into the press and

Hollywood pictures, which apparently prefer to dwell on the less commendable traits and human frailties of your neighbors to the South. I do not mean that we do not wish to have our country interpreted here by the press and Hollywood, but I do feel strongly that they ought to pursue more worthy ends and that the information given should be derived from actual facts rather than romantic notions of not always well-meaning authors. Today, more than ever, we feel the need to form solid bonds between all American countries. You have, in the United States, a day in November dedicated by all to Thanksgiving. There is also a day, April 14, which all countries of this continent celebrate—Pan American Day. Let us all keep alive the spirit which will make that day be not only Pan American Day, but also the Thanksgiving of the Americas.

POLITICAL EVENTS AND GOVERNMENTAL CHANGES IN ARGENTINA, 1943–1948

ASHER N. CHRISTENSEN

Professor of Political Science, University of Minnesota

It is with some hesitation I begin my discussion and my contribution to the Lecture Series sponsored by the Institute of Latin-American Studies. My fears are based on many considerations.

The University of Texas has an enviable and well-merited reputation as a center of Latin-American Studies. Included on the faculty of the University are many persons of national and international recognition as scholars in Latin-American affairs, and several of these authorities in the field are present here tonight.

Furthermore, I have spent a considerable length of time in Argentina during the past several years. Each day added to that period of residence makes it clearer to me how difficult it is to generalize about the political institutions of a vigorous modern nation, one-third the size of the United States, and with the population of sixteen million people. I think that after three months in Argentina I could have written a book about that country's insides—after three years' residence there I find that the easy generalization of the enterprising journalists who "do" a continent in two or three weeks are open to so many exceptions, modifications, and interpretations that they lose all or nearly all of their validity.

I know that I will qualify many statements this evening and in the question period which follows, I am certain that I will be able to give few "yes" or "no" answers. I hope you will not ascribe this to any academic timidity on my part. Any hesitancy to give a categorical answer is due only to a lack of data or a lack of sufficiently well documented information.

A third factor in my hesitancy is the difficulty in maintaining that objectivity which the scholar must always maintain if he is to participate in the important enterprise of enlarging the scope and the depth of information. As a university professor, I feel that free and untrammeled institutions of education are vitally important in any society that aspires to call itself democratic. I believe that free universities and the freedom of teachers and professors to speak the truth as they see it are essential not only in education but in the whole fabric of the democratic way of life. Consequently, in my evaluation of the Perón administration, I am sure that I place a much greater emphasis on its educational objectives than would many other observers. It is quite possible that another speaker would give greater weight to the industrial development of Argentina or to the fact that the nation seems relatively prosperous than he would to its recent educational changes. He might even dismiss this latter topic as being relatively unimportant. I feel that one of the most serious indictments of the Perón government, and there are many, is that encountered in its educational policy.

The North American tendency to indulge in stereotyped thinking with reference to Latin America is also a handicap to be overcome in any discussion of the political problems of that region of the world. You are all familiar with some of the "pictures in our heads" relating to Latin America. We tend to think of the Latin-American countries as luxuriantly tropical in appearance and of the people as small and swarthy, who have a quaint habit of dressing themselves in bizarre and colorful costumes, who strum guitars in the patio of their large rambling houses, and who continually dance the tango or the samba with most attractive señoritas. The stereotype we have concerning the government of Latin America is also a familiar one. We tend to think of the twenty other republics of the continent as countries in which turbulence, violence, and revolution are the order of the day and in which bullets and not ballots determine public policy. Because of this, we incline to the belief that these countries need strong men or dictators as the only means of maintaining political and social order.

Here I should like to note that Argentina—and as far as this is concerned many other Latin-American nations—does not fit either the general or the specific stereotypes. Although it is true that from 1810 to 1853 the nation was torn by internal dissension and had its share of *caudillos* and tyrants, in the latter year it succeeded in normalizing its constitutional structure. Argentina's constitution of 1853, amended significantly in 1860, is the second oldest constitution now currently in force in the two Americas. Since the middle of the 19th century the nation has made notable progress on the road to political democracy. The federal system established by the constitution of 1853 admittedly has departed in many instances from a strict application of the theory of federalism. Likewise it is true that many of the elections have been characterized by irregularity and fraud before, during, and after the casting of the votes. (Some of us here have heard of similar instances in the United States.) Nevertheless, for well over three-quarters of a century the rights of freedom of speech and press, the observance of basic civil liberties, the subordination of the military to civil direction, and finally the development of a vigorous program of public education have all contributed to a well-established democratic tradition.

It is true, of course, that the full operation of democratic political institutions has been limited by such abuses as frequent declaration of state of siege and the flagrant abuse by the central government of its power to intervene in the several provinces. It must constantly be borne in mind, however, that in assessing the events of the past five years, they must be evaluated in the light of Argentina's democratic tradition. The Perón administration and what it has done and is doing would lose much of its significance had it emerged in some other Latin-American republic that lacks the historical and institutional background of Argentina. It is the more important because of its departures from the democratic institutions that were so well developed in the Argentine republic.

The diplomatic discord that existed between United States and Argentina from 1943 to 1946 has likewise distorted the picture. Our press, and some of the more strident of our radio commentators, have labeled generously institutions in Argentina as Nazi, Fascist, or dictatorial, while at the same time they have been quite uninterested or unmoved by similar institutions and events in other Latin-American nations. This fact certainly has been noted by the Argentines. I was asked innumerable times by friends in that country why the United States found it easy to be friendly with Brazil during the Vargas dictatorship when at the same time it bitterly condemned a dictatorship in Argentina.

The adoption, a little over a year ago, of a Five Year Plan in Argentina led many observers to point out that this was following the pattern of the dictatorial European countries. The government in Argentina is not totalitarian because of the fact that it has a Five Year Plan. No nation in a modern and complex industrial society can exist without public planning. Argentina is not totalitarian or dictator-ridden because of the fact that its government intervenes in the economic and social spheres. Once again it seems to be apparent that the complexity of our modern industrial order requires some government control over business, labor, and agriculture. Argentina is not a dictatorship because the government seeks to control and develop the natural resources and public utilities of the nation. We in the United States would probably object to foreign ownership of our railroad lines, our telephone and communication systems, our public utilities. As a matter of fact in the past we have objected, in the interests of national solidarity and national defense.

The present regime in Argentina is, in my opinion, to be indicted for its lack of any real democratic base founded upon free competition between political parties, freedom of expression and thought, and freedom of association. Democracy does not and can not exist when one party is in power and the other is either in jail or threatened by incarceration.

The Perón administration furthermore is to be indicted for the type of control it has established over the economic life of the nation, a type which seriously infringes upon, and at times eliminates, any real right of any economic group to protest. Labor organizations are now, in my opinion, so controlled by the government that they have no effective voice of their own. Capital enterprise finds itself limited by an economic policy which vests enormously broad powers in the government's Central Bank. Agriculture is likewise deprived of any opportunity to protest against and thus to modify government policy because of the program of complete government control over marketing. The present government is to be indicted also because of its interference with, and now control of, the educational system of the nation, a control which now extends from kindergarten through graduate studies.

Time does not permit me to enter into any discussion of Argentina's foreign policy and more particularly of her desire to establish a block of nations in South America that will be lead by Argentina. My discussion will be confined to purely domestic affairs.

One must admit that much of what the Perón administration has accomplished has been done in the interest of the common man—of Juan Pueblo—who was the forgotten man of Argentina largely due to the political bankruptcy of the major political parties from 1920 to 1943. Certainly on one can oppose the program of social legislation that the Perón administration has adopted. This program extends, as you know, to the industrial worker, to the white-collar worker, and to the *campesino*, or farm worker. These needed reforms have been hailed widely in Argentina as indicative of a new day for the average man and have been opposed in that country by conservative economic interests. General Perón frequently has alluded to his administration as a New Deal and at times has not been reluctant to compare himself with Franklin Delano Roosevelt. He has neglected to add, however, that during the days of the New Deal, freedom of opinion, of association, and freedom of elections were not restricted. Although millions in the United States were bitter in their opposition to the New Deal program, they always had the freedom to speak, to write, to broadcast, and to vote that opposition. The Republican Party in 1936, 1940, and 1944 had free access to all of the channels of communication and, it should be noted, had the majority of press support.

In the balance of my discussion I wish to concentrate my attention on the following topics:

I. The immediate background of the Perón administration. This was, I believe, discussed in a previous lecture in this series and hence my reference to it will be very brief.
II. The elections of 1946.
III. The relations of government to labor.
IV. Government intervention in the economic life in the country.
  A. The Five Year Plan.
  B. Central Bank, National Economic Council, I.A.P.I.
  C. Price control and anti-inflationary measures.
  D. The nationalization of the railways.
V. Government and the press.
VI. Government and education.
VII. Significant changes in constitutional and political institutions.
VIII. The 1948 election and the future outlook.

I. *The Revolution of June, 1943.*

We still lack full information as to the exact causes of the revolution that occurred in June, 1943. It has been ascribed variously to the disclosure of contract irregularities in the War Department, then headed by General Ramírez; to the nomination of a democratically inclined candidate to succeed President Castillo; and to the suggestion that General Ramírez himself was to be a candidate. The easy and almost instantaneous success of the revolution surprised, I think, even its leaders. Popular reaction to the events of June 4, 1943, clearly indicate that the majority of the people expected the new government to be much more democratic

in its character and much more pro-English and the United States in its foreign policy. The proclamation of the new Provisional Government was greeted with *viva democracia* by some 60,000 people gathered in front of Government House.

It soon became apparent, however, that the program of the new government was anything but democratically based. This program received its inspiration from a well-organized and well-directed clerical-nationalist minority group which since the 1920's had been, through press and radio, engaged in a campaign of discrediting democracy and advocating a cultural orientation towards "mother Spain." The group favored a close linkage between church and state and a complete government control over education. At times it openly espoused anti-semitic policies, and one of the leaders of this wing of the nationalist group, Hugo Wast, later became Minister of Education. Wast's anti-semitic writings are well known in Argentina.

The early acts of the new government clearly indicated its undemocratic character. All of the fourteen provinces were intervened as were the six national universities. Democratic organizations were suppressed, usually with the statement that they were "communist" directed. The labor unions were likewise, if they showed any tendency to oppose the new government, intervened, and union leaders, chosen by the rank-and-file, were replaced by others named by the government. The whole of the educational system of the nation was placed under a much stricter government control. Censorship of the press was obtained under the continuance of a state of siege. One decree, for example, stated that "the press may comment freely on events if it adjusts its criticisms to constructive ends, avoids wounding the susceptibilities of any section of the country, and does not criticize democracy or fascism."

All legislative assemblies, the national Congress, the provincial legislatures, and municipal councils were closed, and from June, 1943, until early in 1946, public policy in the entire nation was proclaimed only through executive decrees.

In December of 1943 two significant decrees were issued. One abolished all political parties. This was rescinded late in 1945, and consequently the opposition to General Perón in the 1946 elections had to organize its party and campaign during the short period of the two or three months preceding the elections. However, the Peronista party had had ample time to engage in the business of political organization and campaign preparation as will be noted later.

The second decree was promulgated in late December of 1943. It abandoned a policy of over sixty years' standing by re-introducing compulsory religious instruction—which in Argentina means Catholic instruction—in all of the public schools.

The implication of the new government with Nazi espionage is familiar to all of you and is well documented in the Blue Book of the United States State Department that was published in 1946. Although time does not permit a discussion of Argentina's international affairs, it should be

noted that the general tenor of its foreign policy from 1943 to 1945 gave credence to the belief that the new government certainly was not democratic.

In the early days of 1944, largely due to a leak in certain information which had been obtained by British intelligence, which information gave indisputable evidence of the Argentine government's involvement with German activity in America, it was decided that the government should break relations with the Axis. This was done in January, 1944. This step, however, was opposed so strongly by many officers in G.O.U. that the resignation of President Ramírez was forced. Also it should be noted that the sincerity of the diplomatic break with Germany is certainly open to question. Several public officials who resigned in protest over the break were, in a few months, appointed to higher positions by the succeeding government which was headed by President Farrell.

At the time that General Farrell accepted the presidency, General Perón (then a colonel) came more visibly into the open as the real leader of Argentina. He had been named as Secretary of Labor and Social Secretary late in 1943. As Secretary of Labor he almost immediately instituted a policy of bringing the labor unions of Argentina under his control, and these unions became the nuclei of the political party that in early 1946 nominated and elected Perón to the presidency.

The government not only maintained but broadened its control over the press and radio, and a number of decrees seriously restricting the rights of these media of communications to comment freely on national or international events were adopted.

Also you are familiar with the 1945 conference at Chapultepec at which conference the door was left open to Argentina to re-enter the realm of inter-American political harmony by signing the Declaration of Chapultepec. This included a pledge to declare war on the Axis and to maintain democratic institutions at home. Argentina signed the declaration in the spring of 1945 and a few months later was admitted to the United Nations Conference at San Francisco. Shortly before the end of the war in Europe, the government declared war on Germany. (It is significant to note that a police decree in Buenos Aires forbade the celebration of the fall of Berlin or the end of the war in Europe.) In the late summer of 1945 plans were laid for the presidential and congressional elections, which were scheduled for February, 1946.

II. *Presidential-Congressional Campaign and Elections of 1946.*

The result of the elections of 1946 was a narrow but clear victory of candidate Perón; a majority of the senators and deputies elected were also of the Perón party. There seems to be little doubt that the election was a free and honest one in so far as the freedom to go to the polls and vote as one wished and an honest count of the ballots are concerned. The defeated candidate, Tamborini, praised the government for the impartiality it observed in policing the election. A total of slightly over 53% of the popular vote was cast in favor of Colonel Perón. What are some of the factors that contributed to his victory?

It should be noted in the first place that campaign activities in behalf of Colonel Perón began in 1944 with the establishment of the Secretariat of Labor. On the other hand all political parties were abolished in December, 1943, and were not permitted to reorganize until late in 1945. Within the short period of about two months the opposition parties not only had to reorganize themselves but also to conduct the manifold activities that are a part of every electoral campaign.

A second factor in the Perón victory is found in the dissension that existed among the political parties that were opposed to him. They were agreed only on one issue—namely their opposition to Colonel Perón. Beyond this there was no basis for agreement on matters of either domestic or foreign policy. A large number of defeated candidates in this country can testify to the fact that elections are not easily won on an "anti" campaign. Tangible evidence of this dissension is found in the fact that the opposition parties could unite only on the nomination of presidential and vice-presidential candidates. Each of the major political groups had its own ticket for the congressional and provincial elections. Furthermore, the presidential candidate around whom they were able to unite was a poor choice. Señor Tamborini was not a well-known political leader in Argentina, and he was almost totally lacking in political appeal and color. On the other hand his opponent most certainly can be described by everyone as a colorful figure.

There were many instances of rowdyism throughout the campaign. Significantly, terrorist tactics frequently broke up political meetings of the anti-Perón group, and by coincidence the police were rarely present to maintain order.

The church too played a part in the final result. On the Sunday preceding the election a Pastoral Letter was read in most of the churches in which it was stated that no good Catholic could vote for any party group which favored the abolition of compulsory religious instruction. This, of course, included all of the parties of the opposition.

Perón made a dramatic appeal to the "forgotten man" of Argentina, or the group now known as the *descamisados*. This appeal could be substantiated by a large number of decrees which had as their objective the social and economic betterment of the low income groups in Argentina.

It is probable that the publication of the Blue Book had some influence in the final result. The timing of this publication was perhaps unfortunate. Immediately after its appearance (full publicity was given to it in many Argentine papers), Perón stated the issue was, for the Argentines, a choice between Perón and Braden.

Although the electoral vote was one-sided, 204 to 72, the popular vote was closely divided. 1,479,000 votes were cast for the Perón ticket and 1,210,000 for Tamborini. In the congressional elections the Perón party won 109 seats to 49 seats for the opposition in the Chamber of Deputies, and in the Senate the division was 26 to 4. Two of the latter were not seated by the Senate. Of the 14 provinces the Perón party won the executive and legislative control in 12.

Thus the government which had come into existence by the military coup d'etat of June 4, 1943, became a legally-elected government with a large enough majority in the Congress to push through any program it desired.

III. *Government and Labor.*

One of the major parts of this program concerned the relations of the Argentine government to labor. I noted earlier that beginning in 1944 the government embarked on a campaign to destroy labor unions that opposed the dictatorship. This was in part accomplished by the removal of union leaders who opposed Perón. If unsuccessful in this, rival unions were organized, usually under government sponsorship. The individual who played a prominent role in this program was José Figuerola, an Argentine of Spanish descent who had been Labor Adviser to the government of Primo de Rivera in Spain. Figuerola was the labor and political manager of the Perón party, as will be noted later. He also participated in the formulation of the Five Year Plan.

Since 1946 the government policy towards labor has been formalized and regularized. Legal status *(personería jurídica)* is obtained only by those unions officially recognized by the Secretariat of Labor. The benefits of most of the labor legislation applies only to the legally recognized unions. The general Workers Union (Confederación General de Trabajo) is now, in my opinion, a government-controlled labor organization.

Many of you probably are familiar with the report made by the Committee of the American Federation of Labor which visited Argentina in 1946 in order to study the status of labor unions. I realize that this report may be influenced in part by the conflict between the A.F. of L. and the C.I.O. relating to the Inter-American Trade Union Organization. The C.I.O. in 1946 was on friendly terms with the World Federation of Trade Unions, whereas the A.F. of L. was endeavoring to organize an Inter-American Federation of Labor to counteract the C.T.A.L. led by Lombardo Toledano. However, the report of the A.F. of L. Committee is, as I see it, substantiated by enough other evidence to warrant the acceptance of its conclusions. The report was a unanimous conclusion of nine A.F. of L. and Railway Brotherhood union officers.

Difficulties arose almost from the moment of the arrival of the Committee in Argentina. The Argentine government at first insisted that the Committees' only objective was to "fraternize" with the workers in Argentina, whereas the Committee was of the opinion that it should be given opportunity to make a full investigation of every phase of labor activity. After some differences on this point, the committee was given a reasonably ample oportunity to study the labor situation in Argentina. In its report nine members concluded that the Argentine government dominates labor through force, political favoritism, bribery, imprisonment, or expulsion from their union offices of the leaders who are the free choice of the rank-and-file. The rather detailed report notes many of the devices used to control the unions. Among them are (1) government intervention in any union that is not susceptible to direction. Through

an interventor, named by the Secretary of Labor, union elections can be set aside and new ones ordered. The report cites one instance in which three elections were held before a "proper" slate of union officers was elected. (2) Concessions given to labor unions in return for their political support. These concessions include naming union leaders and members to minor government posts, usually in the Secretariat of Labor. (3) Gifts to friendly unions. Considerable evidence was found to indicate that the public works program of the government (amplified later by the Five Year Plan) showed favoritism to friendly unions. Many received, as a sort of government gift, hospitals, recreation centers, etc. (4) The withholding of legal recognition from all unions not approved by the government. Without this recognition these unions have no legal power to bargain collectively or to strike. The enforcement of labor legislation is reported to be lax and indifferent in all cases in which an unrecognized union is involved. On the other hand the recognized unions have their friends in the office of the Secretariat of Labor and because of this can insist upon and obtain a more vigorous administration of labor laws. (5) Setting up of rival unions in those cases where the existing union does not yield to government pressure. The Textile Union of some twenty thousand members was unable to get legal recognition, but a rival organization, with originally sixty-five members, secured recognition without difficulty. (6) Many instances have been reported of the arrest of union leaders and deportation of some. (7) A strike of tax drivers was broken through the operation of government Trade Promotion Agency (IAPI). This agency which controls exports and imports gave a rival taxi drivers' organization permission to import two hundred new taxis from the United States. This threat was sufficient to break the strike. (8) The Labor Courts of Justice established by the Perón administration are, so the report states, staffed by pro-Perón judges.

One amusing incident relating to the visit of this committee was reported by the press. The American delegates were invited to remove their coats because of the excessive heat. The newsreel of this meeting noted that the workers from the United States had a deep bond of sympathy with the *descamisados* (the coatless ones) of Argentina.

There is considerable evidence from Argentina to substantiate all of the parts of this report. The Secretary of the Argentine Labor Confederation, Luis F. Gay, who had supported the Committee in its desire to make a thorough investigation, was later removed from his post. The Executive Council of the Socialist Party in Argentina, in commenting on the report, states that it was a "ratification through observation of charges repeatedly made by the free unions in Argentina since the Revolution of 1943." A government-dominated union, the General Confederation of Commercial Employees, resolved that the report was dictated by Mr. Braden and concluded with the statement, "we do have close ties with the government, we are the government."

As I noted earlier, despite these losses in the field of union activities, labor has gained from some of the policies of the Perón administration.

Even some of this gain has been lost, however, through the inflationary effects of the government's economic policy. However, Juan Pueblo is not a theoretical economist. If the government decrees higher wages and these are lost by still higher prices, Juan Pueblo does not speculate on basic economic principles but rather damns the reactionary capitalists and more loyally supports *el lider*. Among the decrees and laws that have been promulgated or adopted in the interests of labor are the following: the regulation of the labor contract of farm workers and an expanded social security program with particular emphasis on severance pay. This severance pay may reach a very high figure, and the result is often, as many Argentine employers have noted, that it is cheaper to continue the employment of an unsatisfactory worker than it is to discharge him. (It is now currently said among employers that it is cheaper to retain a poor worker than it is to hire a lawyer.)

IV. *Government Intervention in the Economic Order.*

As I noted earlier, government intervention in economic activity does not connote the absence of democracy. Indeed it may be, and I think is, necessary for the full operation of the democratic way of life. But if this intervention is used in such a way as to deny the right to associate or to oppose, if it is used to beat down political opposition, and if it is used capriciously and arbitrarily, it does mean that democratic institutions are threatened. Such is the case in Argentina. I am also disturbed by the fact that certain of the individuals who are the "brain trust" of the economic program are likewise widely known for their anti-democratic views. Included in this group are José Figuerola, who already has been mentioned; Miguel Miranda, a self-made industrialist who was made president of the Central Bank in 1946 and director of the National Economic Council in 1947; Heinrich Doergge, adviser to the Central Bank, and formerly Adviser to the Reichsbank for Industry in Germany under Hitler.

Among the more significant programs of the economic policy of the Argentine government, mention certainly should be made of the nationalization of the Central Bank. This Bank prior to April, 1946, had a function roughly similar to that of the Federal Reserve Banking System in this country, and its government was under the control of the member banks. In its eleventh annual report, March, 1946, the Central Bank criticized the government's economic and fiscal program. In the following month it was nationalized by executive decree, a new Board of Directors of government appointees was named, and the Trade Promotion Corporation (IAPI) was placed under its control. Later in the same year the foreign trade control which the Bank exercises was linked to the Five Year Plan by the prohibition of import licenses for goods that can be manufactured in Argentina. Although I.A.P.I. is now a subsidiary of the Central Bank, the twelfth annual report of the Bank, January, 1948, made no reference to the operations of the former agency. The newspaper *La Prensa* which noted this editorially was criticized bitterly by the government in so doing. A second phase of the government's economic

program is found in the wide use of the government-owned co-operation (Sociedades Mixtas). These government corporations in fact have little or no autonomy and are under the direct control of the National Economic Council. Examples of this corporative device are found in air transport, the merchant fleet, and in heavy industry. There is evidence that the creation of such corporations has been used to break down the opposition of private enterprise to the government economic program.

The Government Trade Promotion agency, I.A.P.I., already has been mentioned. This agency is the sole purchasing and marketing institution for the government. Its recent activities in the purchase of the wheat crop of Argentina for export and the profits that have been made in the transaction have been commented widely upon in the American press.

Since the elections of 1946, the government has embarked upon a dramatic, though not very effective, program of price control. In June of that year President Perón promised a personally-directed campaign to freeze prices. He announced that if at the end of sixty days prices were not back to the 1945 level, the government would freeze prices and order wage increases in all firms that did not co-operate. A special corps of Federal inspectors was created, and new courts to try violaters were established. On June 13, 1946, the government threatened to seize stocks of food and clothing, and ordered a flat 50% reduction in the prices of clothing, 17% for food, and 20% for movie admissions. The administration of this decree was placed in the hands of the police, and once again one notes that prosecutions for violation tended more often to fall upon those individuals or concerns that had opposed the government program generally. There is no doubt that the decree is being enforced, however. In a three month period in 1947, a total of 1,923 cases were prosecuted, 517 violaters were jailed for short periods, and over 1,006,000 pesos in fines were collected. Late in 1946 an act of the Congress gave the executive branch of the government power to confiscate stocks of goods, to sell them at prices fixed by the government, and to arrest and punish individuals who did not co-operate with the price control policy.

In November, 1946, with extraordinary amount of fanfare and publicity, the government's Five Year Plan was announced. President Perón described it as a comprehensive economic plan to achieve industrial organization, economic self-sufficiency, and a rational economic order. The plan was embodied in a series of twenty-seven legislative proposals, the scope of which went far beyond purely economic matters. The several legislative proposals covered subjects ranging from public education and state medicine to industrial planning, immigration policy, and public works. The administrative nerve center of the plan is the National Economic Council, at present directed by Miguel Miranda. The Director is appointed by and fully responsible to only the President. One of the originators of the plan was José Figuerola. Mention of him was made earlier in this lecture. His name also appears several times in the Blue Book. Opposition party leaders in Argentina have repeatedly stated that the plan is the work of Señor Figuerola.

The industrialization of the country is to be achieved through the extension of government credit to new industrial enterprises and the establishment of government corporations to construct and operate those enterprises in which private capital either is not interested or is unwilling to take the risk. Emphasis is placed on industrial development that has military significance so that the nation will be less dependent on foreign sources for war material.

Another section of the plan provides for the reorganization of national education. A new national Council of Education is proposed, a four-man commission appointed by and responsible to the president. This Council is to have extensive controls over the whole educational system. This control includes the certification and approval of courses of studies in all schools. The educational sections of the plan propose vesting in the president the power to name the rectors of the national universities, who since the educational reforms of 1918, had been named by University Councils elected by the faculty.

The plan also includes a vast program of public works and public improvements, stressing roads and other communications and the development of port facilities. Still another section refers to a state-operated medical care program, a mixture of state medicine and health insurance.

Argentina's population experts long have discussed the need for greater immigration into Argentina in order to achieve economic stability. The Five Year Plan calls for an immigration of 50,000 persons a year into the country, and the Department of Immigration is to transfer to the Foreign Affairs Office.

In almost all of the sections of the plan extraordinarly wide powers are vested in the executive who has broad directive powers as well as financial controls. The *New York Times* correspondent in Buenos Aires wrote that the plan gives the executive more power over the life of the nation than is possessed by any other American executive. There is an interesting linkage between the plan and the labor policy of the Perón administration. Special economic advantages are to be given to those firms in Argentina which establish some programs of profit sharing with their laboring staff.

On December 19, 1946, the Buenos Aires Committee of the Democratic Party attacked the plan in a published statement. The Committee noted that the economic goals sought were fully defensible, but it voiced its opposition to the political price that has to be paid—namely, almost complete executive control over the life of the country. The statement accused the government of seeking to establish complete economic autarchy and unlimited presidential powers.

In March, 1947, the Chamber of Deputies approved, without debate, an appropriation of 1,650,000,000 pesos for the realization of the industrial parts of the plan. Opposition party members of the Chamber withdrew after the majority party adopted a rule which stopped all debate.

Since 1947, the plan has had few tangible and visible results. The inflation in Argentina and the difficulty encountered in obtaining essential

materials in foreign markets account, in part, for this fact. Apparently some supporters of Perón have been dismayed at the lack of progress. Early in 1948 President Perón, in an address to the nation, stated that the Five Year Plan should not be taken too literally. He did not elaborate on this, and it is difficult to state whether his reference to literal interpretation refers to the "five years" or to any part of the plan in general.

Some obviously unexpected results have flowed from the whole complex of government economic policy. As the American press has repeatedly noted, the agricultural porduction of the nation has dropped. One of the reasons ascribed for this is the fact that the farmers of Argentina have complained that the government's program of marketing agricultural products results in lower prices for their commodities than they could obtain in a free market. The government also has been accused of profiteering in its marketing enterprises. There is some evidence that the farmer has become a contract laborer and lacks any union to protect him.

A drop of industrial production also has been commented upon several times. There seems to be evidence that the productivity of the individual worker has dropped and that absenteeism is becoming a serious problem. Perón himself alluded to this when he hinted recently that the government is contemplating a system of bonuses and fines as a part of its labor program.

The economic difficulties of the administration are reflected in the 1947–48 budget which reached the all-time high of 6,400,000,000 pesos, two billion larger than the previous budget. About one-third of this total is appropriated to the armed forces. The budget was adopted in the Chamber of Deputies by a vote of 74 to 42. During the budget debate an incident occurred which reminds one of events that transpired in this country last fall. An opposition Deputy charged that certain Peronista deputies and government officials had profited by their inside information referring to future government economic policies. The Congress voted to establish an investigating committee which was charged with ascertaining if any member of the congress or government had profited by wheat market speculation.

V. *Government and the Press.*

The members of this audience who are majors in journalism have often heard of two of the world's great daily papers: *La Prensa* and *La Nación*. These papers are included deservedly in any list of the better newspapers of the world. I, personally, am of the opinion that with but few exceptions Argentina has had a stronger tradition of free press than any other Latin-American country. The results of this tradition are found in an amazingly high daily newspaper circulation and a large number of well-edited and vigorous papers. The press of Argentina survived the political disturbances of the late 19th century, and even the revolution of 1930 did not affect seriously its freedom of action.

One hears and reads constantly that despite the Perón administration the free press and particularly *La Prensa* and *La Nación* will continue. For the first time in Argentine history I think these beliefs really

can be questioned. In former periods government control of the press was achieved usually through the declaration of a state of siege. The present government press program is much more subtle and threatens to be much more permanent. It is, furthermore, not an isolated example of governmental action, but definitely is linked to the labor and economic policy generally. In discussing the relations of the present government to the press, I wish to note briefly some of what I consider to be the more significant developments. The list is by no means a complete one.

In April, 1946, the newspaper *La Crítica* closed because of its inability to meet financial obligations. In no small measure its financial difficulties were due partly to a fine of 40,000 pesos imposed on the paper for its failure to pay the arbitrary wage increase and Christmas bonus ordered in December, 1945. Furthermore, it was reported in the *New York Times* that the banks of the nation, themselves under government control, were forbidden to extend credit to *La Crítica.*

Another of the dailies has encountered government opposition in a different manner. Apparently the drivers of the delivery trucks of *La Razón* have an amazing tendency to violate Buenos Aires traffic ordinances. This paper has been in more or less constant difficulty in its deliveries due to the fact that the drivers of its trucks frequently are arrested and the trucks detained for purely minor traffic violations.

In November, 1946, the government announced the initiation of a case involving the collection of customs duties against *La Prensa* and *La Nación.* The customs laws of Argentina allow the import of newsprint duty free if it is used for literary, cultural, or educational purposes. The government contends that that part of the newsprint which published advertising in the two papers concerned does not come under the exception. It should be noted that although other papers naturally also publish advertising in their regular editions, only *La Prensa* and *La Nación* were made defendants in the case. *La Nación* estimated that if the government won the case, the cost to that paper would be at least 2,500,000 pesos annually.

In November, 1946, the Minister of Labor announced an eight-day holiday, to be granted before the end of the year to all news vendors. No decree or law legalized this act. It was felt by many of the editors of Argentina that the proposed holiday was another example of government persecution of the press.

In March, 1947, *La Prensa* published a general editorial on freedom of the press with the comment, "the press is under a constant attack, if it does not agree with the Government." Shortly after this editorial appeared, the President made a speech attacking the "enemies within the Nation." The day after Perón's talk posters appeared all over Buenos Aires with the slogan "La Prensa Contra la Argentina." The paper on which these posters were printed bore the seal of the Sub-Secretariat of Information.

In July, 1947, a bill was introduced into the Congress to reduce all newspapers to four-page size. Miguel Miranda, then president of the Central

Bank, which institution controls import licensing, supported the bill as a necessary measure to bolster Argentina's dwindling foreign exchange.

In August, 1947, *La Vanguardia,* the Socialist paper, and in my opinion the most consistently vigorous and bitter opponent of the Government, was closed. The reason announced for its suspension was that the management did not observe the safety regulations and zoning ordinances of the city of Buenos Aires. The paper was accused of not having proper first-aid facilities, of not having safety regulations governing those who unloaded newsprint, and having presses the noise of which made the paper a public nuisance. (It is interesting in this connection to note that the political group, Club 53, whose membership included many known opponents of the government, was closed due to the fact that its headquarters did not have "the proper sanitary facilities." One of the members of this club, on being denied entrance to the building, stated that he had not come to take a bath.)

In October, 1947, I.A.P.I. announced a new plan for newsprint import licensing. Under the plan importers of newsprint can obtain licenses only by agreeing to sell to the government a certain percentage of the quantity imported. *La Prensa,* in order to obtain a license, had to agree to sell back 25% of the newsprint it bought abroad. No other paper had to make this large an assignment to the government. The new regulation also provided that the importer had to state what the newsprint was to be used for, and all paper imported under license had to bear, when printed, the name and address of the printer. Failure to observe this results in the loss of license to import. This part of the measure is clearly an attempt to end the underground press which is still active in Argentina.

The above-numerated instances are but a few segments of what I believe to be a determined and all-inclusive plan to throttle the entire opposition press. As I noted in the introduction to my discussion, these events are the more significant, given the past experience of Argentina. They would be of little importance in a country which had rarely experienced a free press. In Argentina, however, they are all of vital import.

VI. *Government and Education.*

Argentina certainly would be included in any list of Latin-American countries whose educational system really is an outstanding one. The public school system of Argentina (in large measure influenced by that of the United States due to the friendship between Horace Mann and Domingo F. Sarmiento) was established in the 1880's and down to 1943 was under civil direction, was well financed and had a minimum amount of government control. I noted earlier that the clerical nationalists strongly supported a close governmental supervision over the education system, and very shortly after 1943 this control was placed in effect. In July and August of 1943, a large number of teachers was dismissed mainly for holding "unArgentine beliefs." One of the ministers of Education appointed by the government of the Revolution was Hugo Wast, a widely known and in my opinion notorious Nationalist. In December, 1943, the

government reintroduced compulsory religious instruction. This instruction was not to be given by teachers of the school but by the clergy. (It is interesting to note that the government sought to clothe its action on constitutional grounds. The decree noted that the constitution requires that the president be a Roman Catholic. Hence it was argued that it was the clear duty of all the schools to prepare every boy to be the president of the nation by the provision of religious instruction.)

It is particularly in the universities that government intervention and interference has been most strongly felt. Since the University Reform Law of 1918, the six national universities of Argentina had enjoyed a wide autonomy in matters pertaining to purely university affairs. During the years 1943 and 1944, some of the universities were intervened, that is, to say that the rector chosen by the Council was removed and a temporary government-appointed rector installed. In my opinion these interventions fell more often on those universities whose regular rectors were known for their democratic point of view. I am thinking, for example, of the University of El Litoral, then headed by one of Argentina's most distinguished educators, Dr. Josué Gollán.

After elections of 1946, however, in May of that year all six universities were intervened. It has already been noted that the Five Year Plan included reference to the universities. A part of that plan was enacted into law in January, 1948, and this part gives to the president the power to name the rectors of all national universities. In the last two years well over 1,000 Argentine university professors have been "retired" or dismissed. It is more than a coincidence that this retirement has fallen most heavily on those who were more well known as leaders of democratic thought and opponents of the Perón administration. Among the list of those who have been discharged are included many of the most distinguished scientists and educations of Argentina, such as: Bernado Houssay, the noted physiologist; Ricardo Rojas, the historian; Amado Alonso, the philologist; Sebastian Soler, a noted legal scholar; and Francisco Romero, professor of philosophy. Recently Dr. Rojas, a most distinguished scholar and historian, was replaced by an unknown person whose only distinction seems to be that he was named in the Blue Book as a Nazi symphathizer. The oppression of the universities of Argentina at least has redounded to the benefit of several other Latin-American countries. Last fall in Mexico and Venezuela I met several old friends who are what might be called educational refugees. Dr. Houssay was awarded the Nobel prize in 1946 for his work in physiological research. *La Epoca,* a staunch government supporter, announced this award with a bitter attack on Dr. Houssay, a disparagement of the value of his research, and concluded by stating that "this award, which is political, merits the congratulations of all detractors of the government."

In November, 1947, President Perón was awarded an honorary doctorate by all six Argentine universities. It need hardly be added that the heads of all six of these educational institutions were appointed by Dr. Perón. In his speech of acceptance the President indicated that the government

contemplated the establishment of a new cabinet post, a Secretary of Education. Since the late nineteenth century the government agency in charge of educational policy was a part of the office of Foreign Affairs. The new secretaryship was established in February, 1948, and the first full-fledged Minister of Education appointed at that time. Named as Director of the Department was Oscar Ivanisevich, who had been Argentina's ambassador to the United States.

Many leading American educators, among them Dr. Stoddard, president of the University of Illinois, and Dr. Shuster, president of Hunter College, have strongly criticised the interference by the Argentine Government with the institutions of higher education and have suggested different actions to curb this persecution. Among them are suggestions that universities in the United States blacklist the Argentine universities by refusing to admit their students, or that UNESCO take some steps to restore educational freedom in Argentina.

The evidence noted above, plus many other instances that could be cited, cause me to agree fully with a recent editorial in the *New York Times* which, in part, said: "There seems to be no doubt as to the present intentions of the (Argentine) government. Its purpose is to eradicate from all Argentine schools all thought that is not subservient to the will of those in power. When the right to think is circumscribed, then freedom is indeed gone."

VII. *Significant Political and Constitutional Changes.*

I should classify the impeachment of four of the five members of the Argentine Supreme Court and the Attorney General of the nation as one of the most significant political developments since the revolution of 1943. The Argentine constitution of 1853–60 gives the Congress the power to impeach Federal officers. As is the case in the United States, impeachment has not been an important weapon of the Congress to control the executive or judicial branches of government. The procedure had been rarely used in Argentina and never against a Federal judicial officer. On September 20, 1946, the Chamber of Deputies voted the impeachment of the five individuals by a vote of 104 to 47. This vote incidentally coincided almost exactly with the party division in the Chamber. The grounds for the impeachment proceedings were unique. The principal charge was that the four justices violated their oath of office when they recognized the *de facto* governments of 1930 and 1943. Curiously the only justice not impeached was one appointed by the latter *de facto* Government. *La Prensa* dryly observed in commenting on the grounds for impeachment that it was as if a criminal, acquitted by a judge, questioned the justices' integrity.

The trial in the Senate began in October of the same year. The defendants were not permitted to appear in person but were represented only by written briefs. The Senate voted on May 1, 1947, to "separate" three of the justices (one resigned) and the Attorney General from their offices.

Technically they were not impeached. It should be noted that the Argentine Constitution does not establish any procedure other than impeachment for the removal of officers from their positions.

Another significant political event was the adoption of a comprehensive statute for the regulation of political parties. Unquestionably such a statute was needed in Argentina. The political parties of that country had more or less the same legal status in the early 1940's as that enjoyed by the political parties of the United States in the latter nineteenth century. They were subject to almost no public regulation concerning their internal organization, the nomination of candidates, or party finance. The regulatory statute adopted in 1946 was preceded by an investigating committee on which several distinguished Argentine scholars in the field of political parties served. The statute in many of its phases copies the legislation of the states in the United States governing party organization, procedure, and finance.

The Argentine constitution, as is the case in almost all the constitutions of Latin America, prohibits the re-election of the chief executive without the intervention of one term out of office. On March 13, 1947, a resolution to amend the constitution and to permit the re-election of the president was introduced into the Chamber of Deputies. Amendments to the Argentine constitution can be proposed and ratified by the Congress alone. The elections of 1948 gave the Perón party the necessary two-thirds majority to adopt this amendment should it be desired.

Few of the Latin-American nations have extended the franchise to women. Señora de Perón has, as almost all the world knows, been most active politically, both in domestic and international politics, and she has been an ardent champion of woman suffrage. The Congress approved the law giving the vote to the women of Argentina on September 29, 1947. The official promulgation of this statute was the occasion for a celebration at which the President's wife played the principal part. Curiously enough, although the law had been passed several months earlier, the women of Argentina did not vote in the elections of 1948. The only reasons given by the government was that "voting lists had not been prepared."

The present government, as was noted earlier, has made extensive use of the constitutional power to intervene in the provinces. This, however, is not a departure from previous practice. All students of Argentina's political institutions are acquainted with the fact that the power to intervene has been abused grossly ever since the adoption of the constitution of 1853–60.

There have been some significant developments in the political party situation especially in the Peronista party. Several groups united to elect Perón in 1946. Among them were labor organizations, the clerical nationalist group, some dissident radicals, and representatives of the army and the church. In recent months Perón unquestionably has lost much of the support of the nationalist group. This bloc which has always championed "Argentine Sovereignty" was strongly opposed to Argentina's

signature of the Declaration of Chapultepec and to Argentine membership in the United Nations. When the Argentine Congress approved the adherence of Argentina to the Declaration of Chapultapec, the nationalist group sponsored a political demonstration in protest. Many of the demonstrators carried banners with the statement "Braden has triumphed." The Perón party has in fact taken some measures against this wing of its support. Early in September, 1946, the headquarters of the National Liberating Alliance were closed. In June, 1947, the government removed several prominant nationalists from government positions. One who was not removed, General Velazco, Chief of Police of Buenos Aires, resigned in protest against this action. Late in 1947, however, General Perón made an open bid for nationalist support, when the Argentine government reopened the Falkland Island question. In September of the same year General Velazco was named by the President as the Federal Intervenor in the province of Corrientes.

The dissident Radicals also have wavered in their support of the Perón party and there have been several instances of disputes between this group and the labor element of the party over the distribution of federal patronage. There is also evidence of dissension among the labor sections of the party. In three provinces in which the Perón party controlled both the governorship and the provincial legislature, interventions were ordered mainly to quell intra-party disputes. In October, 1947, eighteen deputies of the labor wing were expelled from the party's caucus for "undisciplined behavior in the face of opposition." In one of the provincial primary elections in 1948, three distinct Perón tickets were offered. Admiral Tesaire, a political advisor of General Perón, evidenced the seriousness of the discord that exists among the labor strength of the party when he suggested recently that the national organization intervene and hereby control all provincial and local party headquarters.

VIII. *The 1948 Elections: The Future Outlook.*

Given the factional fights that exist within the Perón party, what explains the victory that it won in 1948? In the elections of this year its margin of triumph was greater than that it had obtained in 1946. It polled, in March of this year, 64.3% of the total vote, whereas its strength in the 1946 elections was slightly over 53%. In the newly-elected Chamber of Deputies the Perón party won 109 seats to 49 for the opposition. Some of the factors that were discussed with reference to the 1946 election were operated again in 1948. The opposition groups, the Radicals, the Democrats, and the Socialists, were unable to work together harmoniously. There was also a rather extensive campaign of force and violence directed against the opposition party meetings, particularly in the larger cities of Argentina. The Radical party complained that it was unable to get any radio time for campaign purposes. One instance was reported at which the power lines failed, undoubtedly a coincidence, just before the opening of a large outdoor night rally.

However, it must be admitted that the principal reason for victory is found in the popularity of General Perón and the approval by the majority

of the Argentine people of the government's program. There is no question in my mind that Perón stands high in the admiration of millions of Argentines. Furthermore, the government can point to a number of specific achievements which have been realized within the last two years. Perhaps not all of these can be attributed to the Perón administration but in fact are credited to the party and to the General. Some of these specific accomplishments should be noted: (1) Argentina, at least in the eyes of its people, won the diplomatic dispute with the United States and it now has full diplomatic recognition. The Braden policy very obviously has been abandoned completely. (2) Argentina is a full member of the American and international community of nations. She is not only a member of the United Nations but also holds membership in the Security Council. (3) The foreign-owned, principally British, railroads have been taken over by the government. This step may have been unwise economically, but it gave deep satisfaction to a large number of people in Argentina who felt that as long as the railroads were foreign-owned, the country could have no economic independence. The timing of the nationalization of the railroads was opportune; it occurred just before the elections, and consequently the Perón party was able to distribute posters throughout the nation which proudly proclaimed "now they are ours." Although in the last analysis, labor possibly has lost as much in price increases as it has gained in government labor program, certainly Argentine labor up to the present supports the Perón government and principally because of its labor legislation. One evidence of the wide popularity of the labor policy is found in the fact that every news vendor in Buenos Aires and the larger cities sells copies of the labor laws, and there is a brisk traffic in the product. The Perón administration has, insofar as decrees and laws are concerned, delivered on its promise to bring about a new day for Juan Pueblo.

Conclusion.

In view of the political, economic, social, and constitutional developments in Argentina since the revolution of June, 1943, and more particularly since the presidential and congressional elections of 1946, what conclusions can be drawn; how shall the present regime in Argentina be classified?

It is not, in my opinion, just another dictatorship in the military style of the nineteenth century, a style which regrettably persists in many of the American republics to the present time. These strong-arm governments usually had no consciously elaborated social and economic program, other than to maintain themselves in power, by force if necessary. They lacked what might be called ideology of the dictator state, although they had an abundance of its supeficial aspects.

Neither is the Perón administration, to my way of thinking, a Nazi state, a Fascist state, a corporative state, as the American press has so frequently and so generously labeled it. If, by the way, one seeks the model after which it was and is being patterned, that model is more

likely to be found in Spain or Portugal than it is in Germany or Italy. However, I think that we befog the issue when we apply foreign labels to the Perón regime. It is, for the most part, something indigenously Argentine.

Its real character is revealed when one examines the several parts of the whole program in some detail. Such an examination indicates that:

(a) There is a consciously planned program to subordinate the entirety of Argentine political, economic, and social life to the will of the government. This is indicated by the government's program with reference to labor, to economic affairs, to education, and to the press.

(b) The government that directs this program is based only superficially upon popular will. It is true that elections have been held, but they have not been free elections. Two elections have taken place up to the present time, but in neither one did political parties have a free and equal opportunity to compete for voter approval. Furthermore, the voter himself lacked access to that information without which he could not make valid political judgments. The free press of Argentina now does not exist.

(c) There is an outward observance of the basic principles of the Argentine constitution although, as thousands of Argentines have noted in writing or speech, the government of General Perón has no real devotion to the democratic bases of the constitution of 1853–60—no real belief in the democratic way of life.

(d) It seems to me that the success of the Perón administration not only has been a set-back for democracy in Argentina but also that it has placed in jeopardy democratic movements in the other Latin-American republics. In this respect, and apart from any American political ambitions that the Argentine government might have, President Perón and the Peronista party are a threat to inter-American political harmony.

I should note before closing that the whole of my lecture has referred to the government of Argentina and to actions of that government. Although this government has won two elections, under the circumstances noted, I have not implied, nor do I wish to imply, that among the people of Argentina there is no belief in nor devotion to democratic institutions. The dedication of thousands upon thousands of leading Argentine citizens, from all walks of life, to the ways of self-government can not be questioned. These people, facing the constant threat of economic reprisal, if not more, have fought back and are still fighting the good fight. Educators and journalists, professional people and workers, men and women have continued the struggle to restore the democratic institutions of *la patria.* They have been dismissed from public positions, and they have been handicapped economically and in some instances ruined and not infrequently jailed. The opposition is still, however, a real opposition of power, and the underground press still appears with regularity.

(e) Finally, one should not underestimate the real and high ability of President Perón. He is an exceptionally able person, a shrewd and skillful political leader, and an unusually forceful and vigorous individual. Undoubtedly he has the loyal following of millions of his countrymen.

That he has been aided greatly by the troubled world situation is now clear and becoming more clear daily. A nation with ample stocks of foodstuffs in a hungry world is in a good bargaining position; a country of military and economic importance can not be overlooked or even antagonized in view of the relations that exist between the United States and Russia. The Blue Book of the United States Department of State, used unflattering terminology when it described the immediate antecedents of the present government in Argentina, some intimate political associates of the present President of Argentina, and even the Colonel (as he was then) himself. Two years later our Ambassador in Buenos Aires stated that President Perón was a great leader of a great nation.

In that twenty-four month period there was no change in Perón nor in the program of his government. The world scene, however, changed dramatically. As any stage manager knows, a change of the back lighting will change not only the appearance of an actor but also will cast a new light on what he does.

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